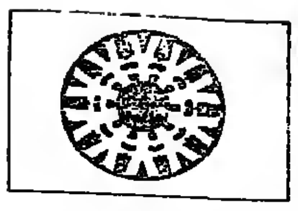

Minor revolution

Japan's banks get a taste of freedom

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The Bell Curve

Intelligence and class in US life

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Direct approach

USAir lays out its safety record

Page 11

Italian banking

Untangling the roots

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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY NOVEMBER 24 1994 D8523A

Italian coalition parties call for crisis meeting

Key partners in Italy's rightwing coalition government called for a crisis meeting after magistrates decided to investigate *corruption allegations* against prime minister Silvio Berlusconi. The move highlighted the division within the government which pitted the populist Northern League of Umberto Bossi against its partners. It raised fears of whether the government would survive to ensure the 1995 budget passed its last phase in the senate. Page 16

SB sells animal health arm: UK drugs company SmithKline Beecham agreed to sell its animal health business to US rival Pfizer and indicated that a $7.7bn series of corporate deals it began in May was at an end. Page 17; Lex, Page 16

EU economy to grow 2.6% this year: Economic growth in the European Union will rise to an average 2.6 per cent this year, accelerating to 2.9 per cent in 1995 and 3.2 per cent in 1996, the European Commission forecast. Page 3

French output slips: French industrial output in September fell 0.4 per cent below its level in July and August, Insee, the government statistics agency, reported. Page 3

US stores Kazakhastan uranium: The US completed the secret transfer of 600 kilograms of highly enriched uranium from a storage facility in Kazakhstan considered highly vulnerable to theft. Page 16

Britannia orders Boeings: Britannia Airways of the UK, the world's largest charter airline, announced orders and options worth $800m for eight Boeing 767-300 aircraft. Page 4

Kohl seeks to create jobs: German chancellor Helmut Kohl called for an alliance of business, industry and trade unions to create jobs. Page 16

Russian trade turns west: Russia now trades more with developed countries, especially western Europe, than with other former Soviet states, figures released in Moscow show. Page 4

US cable group in $1.4bn deal: Continental Cablevision, the third largest US cable television company, is to buy the cable operations of Providence Journal in a deal valued at $1.4bn. Page 20

Metallgesellschaft seeks DM600m: German metals and engineering group Matallgesellschaft is preparing a capital restructuring package which includes a call on shareholders for a further DM600m ($387m). Page 17

Commerzbank hit by bond markets: Commerzbank, the German bank, suffered a 27 per cent drop in group operating profits to DM660m ($425m) for the first 10 months of the year because of weakness in world bond markets. Page 17

Tate & Lyle 23% ahead: A strong performance from its US arm helped UK sweeteners group Tate & Lyle raise annual pre-tax profits by 23 per cent to £273.8m ($449m). Page 17; Lex, Page 16

Taiwan set to benefit from US recovery: Taiwan is poised to benefit from economic recovery in the US, its biggest export market, Taipei's central statistics office said. Page 8

Land-cleaning standards planned: The British government is about to announce proposals for dealing with contaminated land that are expected to minimise the cost to industry of cleaning up polluted sites. Page 10

ANZ beats expectations: Australia and New Zealand Banking Corporation surprised the market with annual profits after tax of A$803.2m ($613.1m) compared with A$459.7m in the previous year. Page 19

Briton Colin McRae wins RAC rally

Scotsman Colin McRae (left), celebrates his Network Q RAC rally win. He and co-driver Derek Ringer finished the 29-stage event in a Subaru *more than three minutes* ahead of Finn Juha Kankkunen. McRae, who led the four-day rally almost from the start, is the first British victor for 18 years. The world championship was won by Frenchman Didier Auriol, in a Toyota.

Award for FT journalist: Simon Kuper, an FT journalist and author of *Football Against the Enemy*, won the William Hill sports book of the year award.

STOCK MARKET INDICES

FT-SE 100:	3,027.5	(-51.2)
Yield	4.24	
FT-SE Eurotrack 100	1,313.33	(-18.60)
FT-SE-A All-Share	1,507.58	(-1.6%)
Nikkei	closed	
New York lunchtime:		
Dow Jones Ind Ave	3,648.72	(-29.27)
S&P Composite	445.89	(-4.19)

US LUNCHTIME RATES

Federal Funds:	5¾%
3-mo Treas Bills: Yld	5.425%
Long Bond	$94\frac{13}{16}$
Yield	7.951%

LONDON MONEY

3-mo Interbank	6%	($6\frac{1}{16}$%)
Liffe long gilt future:	Dec $103\frac{7}{32}$	(Dec$102\frac{2}{8}$)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.02	(17.0)

GOLD

New York Comex	$384.7	(383.8)
London	$385.0	(384.3)

STERLING

New York lunchtime:		
$	1.569	
London:		
$	1.5701	(1.5707)
DM	2.4394	(2.4402)
FFr	8.3799	(8.3789)
SFr	2.0675	(2.071)
Y	154.386	(154.046)
£ Index	79.9	(79.8)

DOLLAR

New York lunchtime:		
DM	1.5535	
FFr	5.3355	
SFr	1.3179	
Y	98.35	
London:		
DM	1.5537	(1.5536)
FFr	5.3372	(5.3345)
SFr	1.3168	(1.3185)
Y	98.335	(98.075)
$ Index	62.6	(62.5)

Tokyo close Y closed

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Clinton seals deal with Dole on Gatt trade pact

By Nancy Dunne in Washington

President Bill Clinton and Republican Senate leader Robert Dole yesterday announced a deal paving the way for congressional approval of the Uruguay Round trade pact. The result of over seven years' negotiations between more than 100 countries, th pact will usher in a new era in world trade.

Leading trading blocs and nations, including Japan and the European Union, have been waiting for the US to ratify the trade pact before they proceed with their own legislation to bring the accord into being.

Senator Dole, whose support is vital, promised to work for a "big big vote" in favour of the deal in the Senate. A vote is scheduled for a week on Friday. Sixty of the 100 senators must approve a crucial waiver of budget rules for the legislation to pass.

Free traders jubilant ....Page 4

Congress is scheduled to return for a special post-election session to vote on the pact which would lower world trade barriers and liberalise global trading. Mr Clinton said the US had moved "one step closer to gaining broad, bipartisan support for the Gatt". This, be said, would "ensure that we lead the world for decades to come".

Mr Dole said he would be writing to his Republican colleagues in the Senate and suggesting that they support Gatt when it comes up next week. He denied having tried to "kill the pact" but said he had needed additional safeguards to assure his constituents that the new World Trade Organisation – to be set up by the Gatt pact to arbitrate international trade disputes – would not impinge on US sovereignty.

As part of the compromise, the administration has agreed to establish a panel of five federal judges to monitor dispute settlement procedures in the WTO to ensure US interests are protected. President Clinton said this meant the WTO would be "accountable and fair and will meet our expectations".

Many trade experts fear the proposed US panel could undermine the dispute settlement provisions agreed under the Uruguay Round and that other countries will establish their own review panels.

Mr Dole's opposition to the trade accord had been unexpected because of his history of supporting free trade.

He emerged without any firm administration support for lower capital gains taxes.

However, the administration gave Mr Dole several assurances on continued funding of farm programmes. Mr Dole's state, Kansas, is the largest producer of wheat.

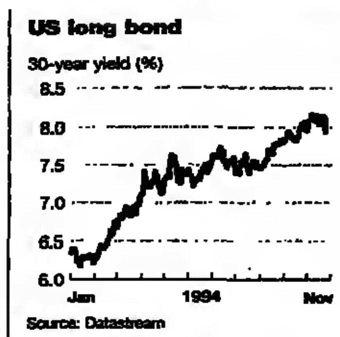
The new review panel will be appointed by the President, the chairmen of the House Ways and Means Committee and the Senate Finance Committee.

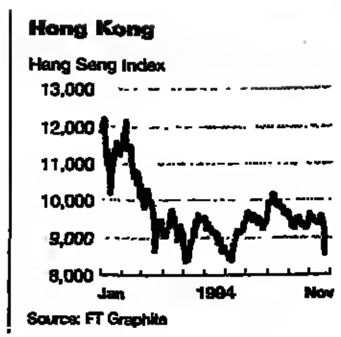
It will review all final WTO dispute settlement reports adverse to the US to determine if the organisation exceeded its authority or acted outside its scope.

If the judges find the decision was unfair to the US, any member of Congress could introduce a resolution calling on the president to negotiate new dispute settlement rules.

If the judges find any three decisions unfair within a five-year period, it would trigger a vote of Congress on whether to stay in the global trade organisation.

President Clinton with a 50lb Thanksgiving turkey yesterday Reuter





World markets fall in wake of Dow's decline

By Philip Coggan in London and Patrick Harverson in New York

Share prices fell worldwide yesterday as the aftershock of Tuesday's 91 point drop in the Dow Jones Industrial Average rippled through international stock markets.

Traders continued to worry about further US interest rate increases, which would slow the US economy and corporate earnings growth. investors appeared to be selling shares and opting for the higher income available from bonds.

By early afternoon in New York, the price of the key 30 year US Treasury bond had climbed by almost three-quarters of a point, pushing the yield down to 7.95 per cent, its first dip below 8 per cent this month.

Meanwhile, after steep stock market falls in Europe and Asia, US shares declined again in early trading. By 1pm in New York, the Dow Jones Industrial Average was down 25.23 points at 3,652.76, with computerised selling programs again responsible for much of the losses. By that stage, the Dow had fallen 162 points, or more than 4 per cent, in three days, and was nearing its low for the year.

The Federal Reserve's decision to increase interest rates by three-quarters of a percentage point last week – the sixth rise this year – appears to have been a watershed. So far this year, the Dow average of 30 leading stocks has performed much better than the broader US market. But investors have now decided to sell the interest rate-sensitive cyclical stocks which make up much of the Dow.

"Bonds and equities got a bit too far apart in the US and they're correcting back towards each other" said Mr Dick Barfield, chief investment manager at Standard Life, the UK life insurance company. Mr Peter Coolidge, senior equity trader at Kidder Peabody in New York, said: "I think people feel it's more attractive to put their money in the bond market right now."

Tokyo was closed, but the

Continued on Page 16
Lex, Page 16; Wall Street shakeout, Page 17; Editorial Comment, Page 15; World stocks, Page 40; London stocks, Page 31; International bonds, Page 21

UN warns of catastrophe as Serbs attack Bihac

By Laura Silber in Belgrade and Bruce Clark in London

The United Nations warned last night of a potential humanitarian catastrophe as Serb forces, defying a fresh wave of air strikes by Nato, fought their way into the north Bosnian town of Bihac, a UN-protected area.

Nato bombers struck Serb anti-aircraft batteries in three places yesterday, implementing tough new rules of engagement that were secretly agreed with the UN on Tuesday.

Mr Yasushi Akashi, the senior UN official in former Yugoslavia, said he had worked out a peace plan for Bihac with Serbian president Slobodan Milosevic which he would put to all the warring parties. He also said he had secured agreement for a convoy to supply the 1,000 Bangladeshi UN peacekeepers trapped in the Bihac enclave.

Earlier, Nato ambassadors, under strong pressure from France and the US, had held emergency talks in Brussels on how they could stop Bihac falling. They also considered a plan for implementing a total UN withdrawal from Bosnia, which has been in preparation for several months.

The prospect of a "nightmare scenario" was raised by the UN high commissioner for refugees as thousands poured into Bihac town from outlying villages which have fallen to the Serbs.

Mr Kris Janowski, a UNHCR spokesman, said food and water could run out if the town, virtually cut off from emergency provisions for several months, becomes overcrowded.

Russia, breaking ranks with the US and western Europe, cautioned against "excessive use of force" by Nato and announced a new diplomatic initiative over Bosnia by Mr Andrei Kozyrev, the foreign minister.

Itar-Tass news agency said Mr Kozyrev would travel to Belgrade and other parts of former Yugoslavia after conferring with the German government in Bonn tomorrow.

Nato bombers struck Serb anti-aircraft positions near the towns of Otoka and Bosanska Krupa in Bosnia and at Dvor in Croatia, in two separate missions.

They initially intended to aim only at Otoka – in retaliation for a missile attack on UK fighters on Tuesday – but broadened their aim after Serb radar locked on to some Nato reconnaissance aircraft.

Bosnian government radio described the situation in Bihac as "real hell", saying that "the Serbs are shelling the town itself, and refugees are pouring into the very centre of Bihac".

UN officials – who in the past have accused the Bosnian government of exaggerating about Serb assaults – confirmed that fighting had spread to the town.

Editorial Comment, Page 15

Iberia to cut 5,200 jobs after workers reject 15% pay cut

By Tom Burns in Madrid

Iberia, Spain's financially crippled national carrier, faced a serious industrial dispute yesterday as its management announced it would cut 5,200 jobs from its 25,000 labour force and drastically reduce the size of the airline.

Unions, which had rejected an earlier management plan to cut salaries by an average 15 per cent, said they would blockade Spain's airports in protest at the plans.

As the confrontation at Iberia began to look ominously like the violent industrial dispute at Air France a year ago, the company's employees last night began holding mass meetings at Madrid's Barajas airport and at other domestic airports.

With tension running high, one union official said: "We are not preparing strikes, we are getting together to plan the close-down of air traffic in Spain."

Mr Javier Salas, chairman of Iberia and president of INI, the state holding group that owns the airline, said after a board meeting that the company would hive off some of its key units under a series of emergency measures that Iberia directors have called Plan B.

The proposed measures mean that Iberia will in effect renounce its ambitions to be a global carrier and become a regional airline.

Plan B involves the sale of Iberia's subsidiaries to INI for subsequent disposal.

Iberia would hive off its shareholdings in a string of airlines including Aerolineas Argentinas, Chile's Ladeco, Venezuela's Viasa and the domestic carriers Aviaco, Binter Canarias and Binter Mediterraneo.

The measures involve the segregation of the company's handling, maintenance, information systems and marketing units and their eventual sale.

Iberia, after such a break-up, would consist of a reduced aircraft fleet and a staff of about 5,000, mostly pilots and cabin crew.

Mr Salas said the survival of Iberia in its present form would only be possible if the earlier viability plan, which involved pay cuts and the loss of 2,000 jobs, was accepted by the unions. Unions have already staged two 24-hour stoppages this month that grounded 75 per cent of Iberia's flights in protest at the pay cuts.

Under the viability plan, Iberia would also have sought authorisation for public subsidies totalling Pta130bn ($1bn) from the European Commission. This request depended on union agreement to the pay cuts.

Iberia is expected to lose Pta44bn this year, up on earlier estimates of Pta30bn, and its accumulated losses by December will have effectively wiped out a Pta120bn capital injection that was authorised by Brussels in 1992.

CONTENTS

 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Milosevic puts pressure on Krajina Serbs

By Laura Silber in Belgrade

President Slobodan Milosevic of Serbia yesterday put pressure on Serb leaders from Croatia to halt their offensive on a Moslem enclave in neighbouring Bosnia, and even blamed his former proteges for the Nato attack on a Serb-held airfield.

Mr Yasushi Akashi, senior UN official in former Yugoslavia, last night met Mr Milosevic and Mr Milan Martic, leader of Krajina, the self-styled Serb state in Croatia.

Senior UN civilian and military chiefs wers trying to get Mr Milosevic to exert his influence on Mr Martic to stop aiding their kin across the frontier in Bosnia, who are attacking a UN safe area in the north-west, said diplomats.

However Mr Martic and the Krajina Sarbs appear more ready to link their destiny with their Bosnian Serb counterparts, rather tban adhere to orders from Belgrade or the international community.

International mediators, aided by Mr Milosevic, hava tried to drive a wedge between Serbs from Krajina and Bosnia.

Politika, the Serbian daily newspaper which is a mouthpiece for Mr Milosevic, yesterday lashed out at Krajina leaders for provoking the Nato attack on Udbina airfield, which was used to launch several air raids on the nearby Bihac enclave.

"The leaderships of the Bosnian and Krajina Serbs must understand that they cannot, by provoking air strikes, change Balgrade's and Yugoslavia's peace policy," said Mr Hadzi-Dragan Antic, editor of Politika.

"Advocates of the war option are again trying to spread the flame of civil war on the territory of former Yugoslavia," wrote Mr Antic.

But yesterday's commentary in Politika contrasted sharply to a statement from the Yugoslav federal government which is also under Mr Milosevic's control. It denonnced as "unprovoked" and "irresponsible" tba Nato action, which could lead to an escalation of the war.

These mixed reactions indicate that Mr Milosevic must send different, and contradictory signals, to constituents in Serbia and abroad. This reflects that he has little room for manoeuvre – under pressure from within his ruling elite, on one hand, and on the other, faced with a deteriorating economy, he is anxious to get UN sanctions lifted.

Furious with Bosnian Serb refusal to obey Belgrade and endorse an international peace plan, which would ease UN sanctions, Mr Milosevic in August abandoned his Bosnian Serb proxies. He turned his back on the nationalists which swept him in to power in 1987.

Popular opinion in the distorted political landscape of Serbia appears outraged by the Nato attacks which could put even more pressure on the Serbian president. His state-run media, however, bas tried to play down the attacks.

Tram passenger Emira Tanovic after being hit in the chest by a sniper's bullet in Sarajevo AP

Nato action will prolong bloodshed, says Russia

By John Thornhill in Moscow

The second Nato air strike in Bosnia "can lead to nothing but prolonged bloodshed," the Russian foreign ministry warned yesterday in an apparent attempt to distance itself from the more aggressive policy recently adopted by tbe International community in the former Yugoslavia.

"We are seriously worried about the alarming new information from Bosnia," Mr Grigory Karasin, the foreign ministry spokesman, told Itar-Tass newsagency.

On Tuesday, President Boris Yeltsin had expressed cautious approval of the first air strike against an airbase which had been used by rebel Serbs to bombard the besieged town of Bihac. But in subsequent comments, Russian representatives qualified their support with Mr Andrei Kozyrev, the foreign minister, warning that further air strikes might prompt Russia to withdraw its peacekeeping forces from Bosnia.

The Russian government is under increasing domestic pressure to act to limit foreign military intervention in the former Yugoslavia. The lower house of parliament yesterday passed a resolution urging Mr Yeltsin to use all possible means – including the exercise of Russia's veto in the UN security council – to halt military action in the Balkans.

The resolution said although parliament recognised that the military action was within UN mandate it did not believe the air strikes were "essential or appropriate".

Mr Vladimir Zhirinovsky, the ultra-nationalist leader of the Liberal Democratic party of Russia, has been trying to whip up opposition to the Russian government's support for UN policy saying it is unacceptable to use force to settle a political dispute. "The conflict cannot be resolved by military means," he said.

Mr Kozyrev will tomorrow meet Mr Klaus Kinkel, the German foreign minister, in Bonn to express Russia's disquiet at the latest events in Bosnia and "synchronise watches" for the foreign ministers' meeting on the former Yugoslavia.

Sarajevo peace troops blockaded

By Laura Silber

Bosnian Serb leaders threatened to declare all-out war on the United Nations, blockading abont 150 peacekeepers around Sarajevo, in retaliation for Nato air strikes on Serb targets.

Sarajevo radio said Serb forces were trying to take back their heavy weapons from three UN-supervised collection sites.

Fearing rataliation from angry Serb forces, the UN yesterday morning began withdrawing the bulk of its troops supervising nine weapons depots, created last February as part of an exclusion zone round Sarajevo.

One person was killed and three wounded when Serb forces opened fire on a tram driving through the centre of Sarajevo near the Holiday Inn where many foreign journalists stay, Bosnian radio reported.

The move comes after a warning from Mr Jovan Zametica, adviser to the Bosnian Serb leadership, just before the assembly of the self-styled state met to consider the declaration of a stata-of-war throughout Serb-held territory in Bosnia.

"If they [the air strikes] prove to be pure aggression of Nato at the request of tha UN, then Republika Srpaka will consider that the UN has sided with the enemy," he told the Bosnian Serb news agency.

"This would mean war with the UN," he warned. About half the 44,000-strong UN force in former Yugoslavia is vulnerable to retaliation by Serb forces in Bosnia or Croatia.

Mr Radovan Karadzic, Bosnian Serb leader, made a similar threat of "total war against the UN" on Tuesday night. The UN last night was on "code red", the highest state of alert, in Sarajevo. All aid movements into Sarajevo were cancelled because of security risks.

Yeltsin's bank chief rejected

By John Lloyd in Moscow

The Russian parliament yesterday rebelled against President Boris Yeltsin's nominee for the chair of the central bank – defeating the candidacy of Mrs Tatyana Paramonova by 127 votes to 10. The surprise vote came "not because we did not like Tatyana Paramonova but because we did not like the way sbe was proposed and the way Victor Gerashchenko (the previous chairman) was relieved of his post," according to Mr Sergei Baburin, one of the leaders of the nationalist opposition in the state duma (lower house).

Mr Gerashchenko, with other senior officials and ministers, was a victim of the sudden fall of the rouble on "Black Tuesday" last month and the resulting wrath of the president.

The vote leaves Mrs Paramonova, a former deputy chairwoman, as acting head of the bank – a weak position at a time when the financial authorities in Russia are pushing for the acceptance of a tough budget aimed at bringing down inflation next year.

President Yeltsin faces the choice of keeping her in an acting position, or proposing a compromise candidate.

Investors look for Russian climate change

John Thornhill on prospects for cutting through the bureaucracy

They are easy enough to spot: hands thrust firmly into pockets, they pace Moscow's hotel corridors muttering obscenities about the local population and the need to return to "civilisation". The western businessmen, who have wearied of trying to conclude deals in Russia, are still a common, if unhappy, sight.

Quite apart from the unquantifiahla political and economic risks, Russia has retained its reputation as a byword for bureaucracy. The list of deterrents to foreign investors is endless: companies are allowed only one hard currency bank account; there are strict limitations on cash dealings; the legislative climate can change overnight with little possibility of international arbitration; taxes can be arbitrarily imposed and lifted; there are conflicting priorities between federal and local government.

It is perhaps little wonder that an Ernst & Young study of the investment intentions of multinational companies found that only 6 per cent considered the former Soviet Union a priority compared with 57 per cent for China.

Bnt meetings held in Moscow this week between a group of western business leaders and Russian ministers under the aegis of the Foreign Investment Advisory Council, have provided fresh reason for hope. Russia's new economics team, headed by Mr Anatoly Chubais, first deputy prime minister, and Mr Yevgeny Yasin, economics minister, impressed many with its candour and willingness to confront the main concerns.

Mr Chubais promised that a presidential decree would be issued "within a few days" halving the import duties on a range of goods for five years for those companies which had a minimum 10 per cent stake in investment projects worth more than $100m. Ha also vowed to change quickly the banking rules preventing foreign companies opening more than one hard currency account and to ease the limits on cash dealings.

Mr Yasin, meanwhile, said his ministry would assume chief responsibility for responding to the concerns of foreign investors, with Mr Alexander Gorokholinsky, deputy head of the foreign investment department, being named as an "ombudsman" to help sort out bureaucratic problems.

Although not hugely significant in isolation, these moves were interpreted as a sign of intent. "We thought here were a team of people who wanted to find solutions and who wanted to encourage people to invest here," said one businessman.

Mr Michael Henning, chief executive of Ernst & Young, said it was "extraordinary" that such senior ministers were prepared to lock themselves in a room for two days to discuss foreign investors' problems. Mr Naville Isdell, senior vice-president of Coca-Cola, said he had never "been to a more productive meeting".

A similar, if less overtly excitable, reaction also followed last week's energy and law conference, jointly sponsored by the US and Russian energy departments. Mr Yury Shafranik, Rnssia's energy minister, appeared to take on board many of the concerns raised by western oil companies and accepted the need to introduce "strict rules of the game". Legislation on tax concessions and production-sharing agreements was promised as early as next month.

But it is one thing to persuade senior ministers of the necessity for change, quite another to create a stable legislative and fiscal environment, which can inspire sufficient confidence for companies to invest substantial long-term capital.

Russia's reformers have yet to fight many political battles both within the government and with nationalists, who are mounting an increasingly vocal campaign against "selling out" to foreigners.

Mr Chubais, at least, appears firmly convinced of the need to mobilise both domestic and foreign capital investment if the country is ever to stop using the printing press as a means of financing industry. His primary goal of achieving financial stability would be substantially eased if he could lift the impediments to foreign investment and regulate the stock market to attract productive long-term capital.

If successful, the prize for both Russian and foreign investors could be enormous.

Experts suggest some $60bn of foreign capital could be forthcoming

Several western oil companies have completed in-depth feasibility studies to develop new oilfields. Industry experts suggest some $60bn of foreign capital could be forthcoming if Russia could establish a more predictable and stable investment climate. That is about three times the size of all foreign direct investment in China last year.

Western companies in other areas, such as heavy engineering and consumer products, also sense big possibilities in Russia. Investment banks in Moscow say there are many potential deals in the pipeline which could emerge in a more favourable environment.

Mr Percy Barnevik, chairman of ABB, the Swedish-Swiss heavy engineering company which has already set up 16 joint ventures in Russia, predicts tha country could attract up to 10 per cent of the world's foreign direct investment within five years if it could successfully reduce its internal barriers to trade and promote itself more effectively abroad. Russia currently accounts for less than 1 per cent of all such investment.

Having just raised expectations among western business leaders to such a pitch, Russia'a government would cause grave disappointment if it now fails to deliver. While in Moscow, the western executives stressed Russia risked being sidelined in a competitive world for capital if did not do more to attract investment. That would only make the government's future economic battles that much harder.

Spring proposed as 'rotating' Irish PM

By John Murray Brown in Dublin

Ireland's search for a new government took an unexpected turn yesterday with Labour proposing Mr Dick Spring, the party leader, as a possible "rotating" prime minister in a future coalition.

Last night a new government composed of Fianna Fail, the largest party, and Labour still seemed tbe most likaly outcome, following the collapse of the outgoing government last week and the resignation of Mr Albert Reynolds as prime minister over the controversial paedophile priest extradition case.

However Labour's proposal, announced after a meeting of its parliamentary party on Tuesday night, is being seen as a clear overture to Fine Gael, the main opposition party – a conservative group which has been in coalition with Labour before.

With parliament adjourned until next Wednesday, Ireland is set for a period of intense political horse trading.

Fianna Fail's parliamentary party was meeting yesterday for the first time since the appointment of Mr Bertie Ahern as new leader. However all the attention was on Fine Gael and Labour after the "rotation" proposal.

Mr Spring is widely seen to have been the main beneficiary of last week's crisis with a personal rating in weekend polls at an all time high of 67 per cent.

Labour yesterday insisted the issue would be part of any negotiations with either party – Fianna Fail or Fine Gael.

Labour and Fine Gael have been in coalition three times before, during 1973 and 1987: it was a Fine Gael-Labour government which negotiated both the Sunningdale agreement of 1972 and the 1985 Anglo-Irish agreement.

However relations became strained after the 1992 general election with Labour finally entering government with Fianna Fail. The idea of a "rotating" prime minister was proposed then by Labour after the party's good showing in the alection – and dismissed out of hand by Fine Gael.

Today observers believe Fine Gael may prove more receptive. Its leader John Bruton has not performed well in the polls, although the party has 47 seats against Labour's 33.

Fine Gaal's depnty leader, Mrs Nora Owen, refused to be drawn on the issue saying that the party would "put our proposals on the table when we enter into negotiations." One Fine Gael MP said yesterday that "nothing is ruled in and nothing ruled out." A rainbow coalition between Fine Gael and Labour and one of the two smaller parties is the only way Fine Gael will be able to form a government.

EUROPEAN NEWS DIGEST

EU economy to grow 2.6%

Economic growth in the European Union will rise to an average 2.6 per cent this year, accelerating to 2.9 per cent in 1995 and 3.2 per cent in 1996, according to forecasts published yesterday by the European Commission. But the number out of work is likely to remain above 17m this year, with the average rate of unemployment expected to fall by only 1 per cent to 9.8 per cent in 1996. "This is unacceptably high," said Mr Henning Christophersen, the outgoing economics commissioner. The Commission is pressing for fresh measures at next month's European summit in Essen to reduce "structural unemployment", including deeper cuts in non-wage costs, more vocational education, and a switch in unemployment allowances into wage subsidies.

The solid economic recovery in Europe follows a meagre 0.4 per cent growth in 1993. As a result, government deficits are expected to fall from 5.6 per cent of GDP this year, to 4.7 per cent next and 3.9 per cent in 1996. These levels are above the Maastricht treaty's targets for monetary union, but the forecasts assume no change in existing policies. Inflation is likely to pick up in 1996 but present levels are not dangerous, said Mr Christophersen. The worries are rising long-term interest rates and a weak dollar undercutting EU exports in world markets. *Lionel Barber, Brussels*

Optimism on Spanish economy

Spain has upgraded its growth forecast for this year to about 2 per cent from 1.3 per cent, Mr Pedro Solbes, economy and finance minister, said yesterday. The recovery follows a decline of 1 per cent last year, the worst recession for three decades. Mr Solbes told an FT conference the government had to aim for rapid enough growth to bring down its "excessively damaging" 24 per cent unemployment rate . The outlook was for growth of 3 per cent next year and 4 per cent from 1996. This could be made compatible with lower inflation and a "reasonable equilibrium" in public sector finances and the balance of payments. Consumer price inflation was expected to come down to around 4.1-4.2 per cent at the end of the year, the lowest annual rate for at least 25 years, Mr Solbes said. *David White, Madrid*

Action plan for mobile phones

An action plan urging rapid and widespread liberalisation of mobile telecommunications was yesterday sent by the European Commission to the European parliament and the council of ministers. After a five-month public consultation with telephone companies, industry organisations and individuals, the Commission has concluded that EU competition rules should apply fully to the mobile sector, that a code of conduct should be developed for service providers and that they should be granted full access to the market. The plan also highlights the need to promote the availability of frequencies and numbers and to promote special programmes that will support emerging mobile technologies. Europe's mobile telecoms sector is already fairly deregulated with only a handful of member states continuing to maintain a monopolistic hold over operators. The commission has already taken action against individual member states requiring them, under competition rules, to license at least a second operator. Italy, Ireland and Belgium have not yet complied. The commission is to propose that all remaining exclusive and special rights in the mobile sector should be abolished soon. *Emma Tucker, Brussels*

Row over French media ban

An amendment to French secrecy laws which would curb media coverage of corruption investigations came under fire yesterday from French magistrates and the press. The amendment, which was passed through the National Assembly late on Tuesday night, proposed a ban on reporting investigations until a suspect is brought to trial. It will become law if it is approved next month by the Senate, the upper house of the French parliament. Drafted by Mr Alain Marsaud, a Gaullist backbencher, the amendment prompted widespread criticism. Le Monde described it as an attack on liberty and said it violated freedom of speech. The newspaper questioned whether the party funding and corruption scandals which have emerged over recent years would have been brought to light if the media had not reported the findings of dogged magistrates.

The USM magistrates' union said the amendment would stifle reporting of corruption scandals and that it was a way of "putting the lid" on affairs which have shaken the French business and political establishment.

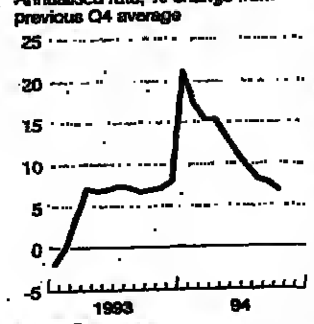
Mr Marsaud said his amendment was designed to protect the presumption of innocence, which is "daily flouted". John Ridding, Paris

ECONOMIC WATCH

German monetary growth slows

Germany: Money supply M3

Annualised rate, % change from previous Q4 average



Source: Datastream

The rate of growth in German money supply eased more than expected last month putting it nearer the Bundesbank's 1994 target range after thsteep rises earlier this year. But the improvement is not expected to prompt the central bank to lower interest rates at today's council meeting. It said M3 rose at an annualised 6.9 per cent in October aftar 7.8 per cent in September. But Mr Richard Reid, UBS economiat, said because DM4.3bn went into money market funds, now allowed in Germany, in October, the M3 figure "was not as positive as it appeared". *Andrew Fisher, Frankfurt*

■ Germany's budget deficit will be well below target for this year and 1995 because of strong economic growth, Mr Theo Waigel, finance minister said yesterday. Mr Waigel said the federal budget deficit for 1994 would he about DM10bn below the forecast DM69.1bn. The 1995 budget deficit will also be about DM10bn less than forecast. *Judy Dempsey, Bonn*

Joker in the pack of Norway's fishermen

The country's seamen are not universally anti-EU, writes **Hugh Carnegy** in the Lofoten Islands

When Jens Petter Sollie, a young campaigner for Norwegian membership of the European Union, yesterday clambered aboard the MS Joker, a trawler tied up in the remote fishing port of Svolvaer, he discreetly slipped off his "Ja" lapel badge and braced himself for a salty blast of invective against Brussels.

Norway's fishermen have a formidable reputation as the most implacable opponents of the EU in a country famous for its deep Euro-scepticism – especially in the Lofoten Islands, a craggy, snow-blown archipelago of jagged mountains whose Arctic fjords are kept open in the long winter by the warming currents of the Gulf Stream.

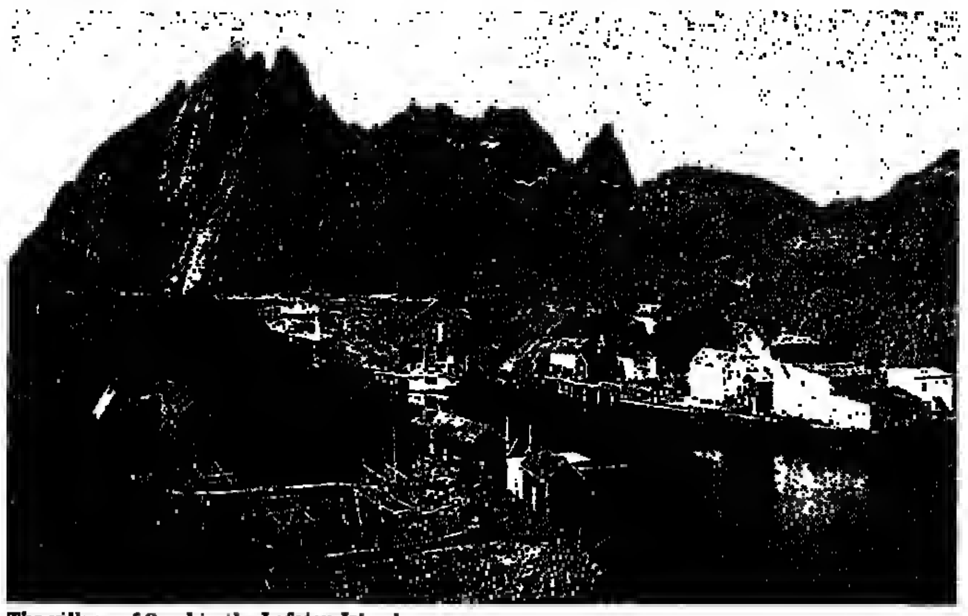
But Mr Sollie, campaign organiser for Norway's European Movement in the county of Nordland, was in for a pleasant surprise. Skipper Arvid Sandoe and his four-man crew offered a friendly welcome. They dropped a few well chosen insults against Mr Jan Henry Olsen, the pro-EU fisheries minister. ("He's only fishing for votes," said one). But two of the five men admitted they would be voting Yes in next Monday's referendum on EU membership.

Mr Sandoe said he had already cast a No vote through a postal ballot, but confessed be had been hesitant. "I still feel a little uncertain about it," he said, offering no objection whatever to the decision of his son Baard, a crew member, to vote Yes oo the basis that for Norway as a whole, membership was positive.

The Joker, its home port further south in Trondelag, may have been no more than a seagoing statistical freak. But, taken with outspoken support for EU membership expressed this week by a group of fish farmers and processors, it suggests that the ranks of Norway's fishing communities are not so rigidly anti-EU as has often been portrayed.

Certainly the vast majority of Norway's 25,000 fishing vessel owners and crew are expected by both No and Yes camps to vote against membership. The fear that Norway's jealous husbandry of its fish resources may be undone by joining the EU's common fisheries policy – and its stocks of herring and cod plundered by southern raiders from Spain and Portugal – runs deep.

Their opposition is a keystone of the nationwide No campaign, especially in the north where opioion against the EU is running high. For although small in numbers, the fishermen have a political punch far weightier than their numerical strength – as have the country's highly-subsidised, anti-EU farmers. Without strong fishing and farming, the popular policy of sustaining stable population numbers in the remote regions could begin to unravel.



The village of Sund in the Lofoten Islands

Britstock-IFA

The trenchant opposition to the EU of Norges Fiskerlag (the national fishermen's organisation) is therefore of strong political significance. Mr Olsen's accession deal with Brussels on fish gave only marginal coocessions in Norwegian waters to foreign fishermen. It confirmed Oslo's complete cootrol over its fish resources until 1998 – allowing Norway to cootinue tough conservation rules which have seen fish stocks and fishing quotas in Norwegian waters rise significantly.

But Mr Steinar Jonassen, who runs the Nordland branch of Norges Fiskerlag, says his members are worried about what will happen after 1998 – and especially after 2002 when the EU fisheries policies are up for review and Spain and Portugal are due to be fully integrated. "Even though the minister says he has Brussels' commitment that the EU will base policy on Norwegian practices we don't feel we have good enough guarantees for that," he says.

Lately, however, voice bas been given to concerns in the fish farming and processing industry that a greater threat lies in staying outside the EU. A newly formed National Organisation of Fish Farmers and the Fishing Industry, representing 650 concerns employing 11,000 people, declared its support for membership this week, saying it would be "decisive for growth in the Norwegian fishing industry and increased activity aloog the Norwegian coast."

It argued that the removal of EU duties and tariffs on Norwegian products would give a boost to the local processing industry, which has, for example, lagged far behind that in neighbouring Denmark. The oew organisation said fish farmers, who account for less than one quarter of Norway's NKr20bn (£1.9bn) annual fish exports, could double their exports to NKr7bn over the coming years, but only if they had access to EU markets.

As Mrs Gro Harlem Brundtland, the Prime Minister, marshals her forces for a last push to overturn months of No supremacy, she is encouraged by such public statements to think that in the last few days, many Norwegians may finally conclude that the potential benefits of EU membership outweigh some of the more traditional fears about joining.

On Svolvaer's windswept quayside, Jens Petter Sollie was careful not to deceive himself that his visit on board the Joker meant he could win over the fishermen. But it did encourage him to think that a nationwide No on Monday was not a foregone conclusion. "If we can win a 35 per cent Yes in the north, then over the country as a whole, it will be a Yes," he said.

French economy catches a chill

By David Buchan in Paris

French industrial ontpnt in September fell 0.4 per cent below its level in July and August level, Insee, the government statistics agency, reported yesterday.

The impression that after robust recovery in the first half of the year, the French economy has undergone a slight autumn chill is likely to be reinforced later today when Insee publishes its estimate of gross domestic prodnct in the third quarter.

Mr Edmond Alphandéry, the economy minister, warned this week that the economy never moved in a linear direction and that the growth performance could "not be expected to be as high as in the first half", when GDP rose 0.7 per cent in January-March and by 1 per cent in April-June.

However, be said the government was not lowering its forecast that the economy would grow by more than 2 per cent this year and by more than 3 per cent in 1995. Insee economists said that some autumn slowdown was inevitable given the fact that part of the first half'a strong rebound was due to companies restocking their inventories, which had been more or less completed.

The Balladnr government yesterday approved a year-end correction to its 1994 bndget, which lopped a fractional FFr162m (£19.3m) off the deficit bnt which in fact sbowed its higher priority of sustaining economic activity and consumption in the run-up to next spring's presidential election.

Bigger tax receipts from higher growth gave Mr Nicolas Sarkozy, the budget minister, FFr30bn more in revenue than he originally anticipated. Bnt be chose to spend the windfall on job, education and social security measures rather than cut the budget deficit further. Bnt over the longer term Mr Sarkozy said yesterday that whatever government came in next year would have to contiune deficit and debt reduction.

Court orders Tapie to pay $64m to bank

By Andrew Jack in Paris

Mr Bernard Tapie, the controversial French politician and businessman, yesterday lost his fight to keep control of some of his most ostentatious assets in a long-running legal dispute with his principal bank.

A Paris court ordered Mr Tapie and his wife to pay FFr339m ($64m) to Crédit Lyonnais, the heavily loss-making state-owned bank, because an agreement reached with them in March was no longer valid.

The judgment, by Mrs Jacqueline Cochard, president of the Tribunal de Grande Instance, could trigger a rapid sale of assets controlled by Mr Tapie and pledged as security against a five-year plan to repay loans believed to total about FFr1.2bn.

The Hôtel de Cavoye, his luxurious mansion in the fashionable seventh arrondissement in Paris, could be up for sale by the middle of December, with some valuations putting its worth at FFr100m-FFr160m.

His yacht, the Phocéa, which is moored in Marseilles, his company shares, and his collection of antiques and paintings could also be sold. Crédit Lyonnais said it planned to proceed with attempts to realise the assets as quickly as possible.

However, Mr Taple has said he would appeal against the judgment if it went against him, as one of a number of outstanding legal actions currently in train.

In the run-up to yesterday's verdict, Crédit Lyonnais had argued that Mr Tapia had failed to keep his side of the accord in March by not producing independent valuations of his assets to the deadlines previously agreed.

It is likely that his assets are less than half his debts to the bank. Crédit Lyonnais is still searching for some of Mr Tapie's assets, including antiques smuggled out of his Paris house over the summer.

Mr Tapie has instigated a series of legal battles which will come to court over the next few weeks, but which Crédit Lyonnais described as "a strategy to win more time".

In his next appearance tomorrow, the tribunal de commerce will determine whether his companies are bankrupt.

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Free traders jubilant over Dole deal

By Nancy Dunne in Washington

Dole: won a vague promise

The deal announced yesterday by President Bill Clinton and Republican leader Robert Dole strengthens the chances of passage for the Uruguay Round world trade pact when it comes to a Senate vote next week.

Although full details of the compromise hava yet to emerge, supporters of the Gatt yesterday were jubilant; "I think we've just won," said Mr Harry Freeman, a free trade lobbyist who has been urging newspaper editors to endorse the Gatt deal. Mr Bill Lane of Caterpillar, the US construction machinery group, said: "It is a great deal for our customers and a sad day for our foreign competitors. This is the hreakthrough wa have heen waiting for."

Supporters were particularly pleased with Senator Dote's vow to work for a "big hig" bipartisan victory in the Senate. This may have recovered some ground lost by his earlier effort to link Gatt passage with the Republicans' long-sought cut on capital gains taxes.

All week lobbyists and moderate Republicans have been grumbling that "be stands for nothing" when Mr Dole seemed to risk abandoning his long-held free trade views to jeopardise passage of the world's largest trade pact for an unrelated issue. In the end he got a vague promise from Mr Lloyd Bentsen, treasury secretary, to work with the Congress on capital formation and "to give it a serious and careful review". "It was never by purpose to kill the Gatt," said Mr Dole. "I wanted to fix the Gatt. Maybe I haven't done a perfect job but I think... we've moved it a long way."

President Clinton said: "An understanding has heen reached with Senator Dole to reaffirm our United States sovereignty and to make sure that reaffirmation will be protected in the Gatt process," he said.

The World Trade Organisation's (WTO) arbltratioo of trade disputes caused Senator Dole and some other members of Congress to question whether US sovereignty would be adequately protected.

White House officials said Mr Clinton had agreed to Mr Dole's demand for a special US review panel to oversee decisions of the WTO. This panel could trigger a congressional vote on US withdrawal from Gatt.

However, Mr Ron Brown, the commerce secretary, described the sovereignty issue as a "red herring".

He said: "There are those who want to do damage to the agreement who continue to raise that issue. It is a non-issue. There is nothing in the Gatt that restricts our ability to enforce our own trade laws."

Energy demand soars □ Investors expect 15-22% return □ $1.2bn Guangdong plant

China likely to approve power deals

By Tony Walker in Beijing

High level meetings in Beijing over the next few weeks are expected to sanction the first of about 50 proposed power station projects worth billions of dollars relieving a logjam on approvals which has frustrated some of the world's largest power companies.

Power industry representatives will be looking particularly to an economic "work conference" and follow-up planning sessions for indications that argument over rates of return payable on equity investment in Chinese infrastructure has been resolved.

The Ministry of Electric Power Industry declined comment yesterday on reports that China had sanctioned a new formula that would satisfy investors. Equity participants in proposed power projects had baulked at a 12-15 per cent "cap" on returns on investment.

But a western official in Beijing, whose responsibilities include the power sector, said China appeared at last to have recognised tbat if it wanted projects to go ahead it would have to yiald to investor demand for more generous returns. He said that under a proposed new formula returns would range between 15-22 per ceot depending on the efficiency of new plants.

Chinese-equipped plants run at abont 60 per cent "availability", while foreign-suppliad equipment provided efficiency ratios that were close to 90 per cent. Higher returns would be guaranteed for more efficient plants.

Among international power companies involved in negotiations with Chinese institutions are GEC of the UK, and Mission Energy, Wing International, General Electric and Entergy Corporation of the US.

Industry representatives regarded as a "promising development" the $1.2hn preliminary agreement announced this month for construction of twin 660MW coal-fired power plants and associated facilities in Guangdong province. The project brings together Entergy, Maruheni of Japan, Hong Kong investors and local power authorities in Guangdong.

The representative in Hong Kong of a large European power utility described the Guangdong deal as an indication of progress, hut he also noted detailed discussions had not begun on implementation. Beijing was also yet to approve the agreement.

An official of the Ministry of Electric Power confirmed yesterday that the ministry was working on its final proposals for the ninth five-year plan to carry China through to the year 2000. These will be presented to a national planning conference early next month.

Rapidly rising demand for energy, due to China's explosive economic growth, and an increasing shortfall in available power have put pressure on the government to accelerate approval of new plants.

According to a recent report by CS First Boston, China's "reserve ratio" of availahle power became negative for the first time in 1991 and the situation had continued to worsen

"The surplus of energy has seen a precipitous drop through the 1980s and into the 1990s," the report stated. "In 1981, the surplus was 11.8m tonnes of SCE (standard coal equivalent) or a reserve ratio of 1.9 per cent. China has seen a rapid and sustained drop in its reserve ratio annually since 1981." The CS First Boston report estimated that new spending on the power sector would "have to exceed" $14bn-$15bn a year for the rest of the decade to keep pace with current demand.

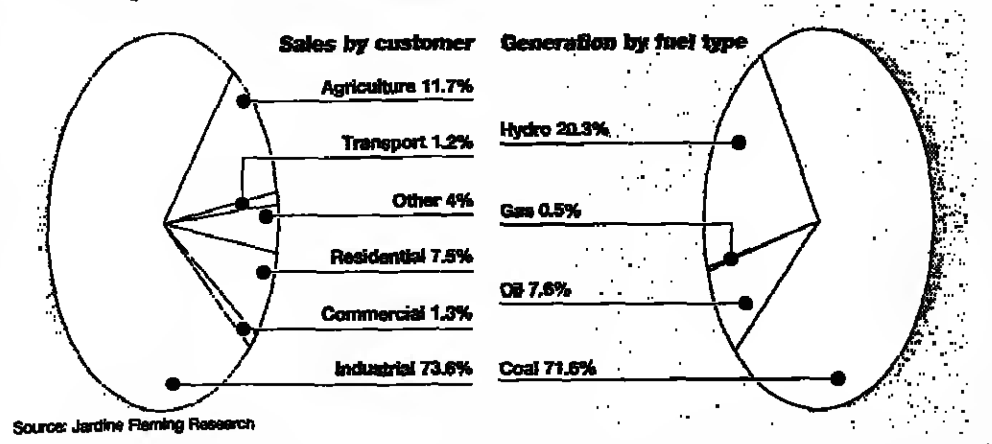
Mr Jiang Shaojun, director of the General Office of the Ministry of Electric Power, estimates that China's "shortfall" of energy nationwide averages 20 per cent, with shortages most acute in the fast growing southern coastal regions. He said that China planned to add another 117,000MW of generating capacity by the year 2000 to reach a planning target of 300,000MW. Ha estimated the cost of adding 117,000MW at Yn570hn ($67bn), somewhat less than western estimates.

Mr Jiang described China's ambitions of reaching its powar planning targets as a "huge task". He also said it was essential that China "cut down on waste" in the delivery and utilisation of power.

In Hong Kong, Mr Paul Schulte, China analyst with CS First Boston, said Beijing faced a difficult challenge in convincing equity investors in the power sector that their investments would be secure and reap reasonable returns.

He described as "stumbling blocks" worries about the arbitrary setting of electricity tariffs, stability of the currency, inflation, and guaranteed reasonable returns on investment. "If these issues are not resolved, many of these projects involving foreign investors will be dead in the water," he said. "They are not going to have foreign investment."

China: power sales and generation



Source: Jardine Fleming Research

DOMESTIC APPLIANCE SALES AND OUTPUT SHOW RAPID GROWTH

Chinese household and electrical appliances are showing rapid growth in prodnction, domestic sales and exports in 1994, AP-DJ reports from Beijing. The China Household Electrical Appliances Association reported that rising consumer confidence had boosted both ontpnt and sales of refrigerators, washing machines and air-conditioners.

Ms Jiang Feng, the association's vice-general secretary, told the China Daily newspaper that growing demand for smaller electrical appliances, such as irons, microwave ovens and electric cookers is stimulating prodncers to upgrade their products.

In foreign markets, nine-month exports of Chinese appliances were $1.08bn compared with $1.35bn for all of 1993, the newspaper said. Air-conditioners were the fastest growing export item. In the first six months of 1994, China exported 156,000 units, an increase of 90,000 over the same period in 1993.

China has more than 100 air-conditioner manufacturers, including 20 large groups. In the past, imports have cut into domestic sales, resulting in large stocks of unsold units, the China Daily said. In 1993, China imported more than 100,000 foreign-made air-conditioners and competition from abroad had spurred Chinese manufacturers to improve the quality of their air-conditioners, according to the newspaper. The appliance Association predicted that Chinese brands would achieve dominance in the domestic air-conditioner market next year, just as Chinese freezers, refrigerators and washing machines have become dominant in their respective market sectors.

In the first nine months of 1994, China produced 8.2m washing machines, a 27.2 per cent increase from the same period in 1993. Washing-machine output for the full current year is expected to reach 10m units.

Contracts and ventures

Charter airline orders Boeings

Britannia Airways, the world's largest charter airline, yesterday announced orders and options worth $800m for eight Boeing 767-300 aircraft. The airline, part of the UK's Thomson Travel Group, has ordered four aircraft, to be delivered in the spring of 1996, and taken an option on a further four – scheduled to arrive at the rate of one a year to the year 2000.

The acquisition of the 767-300s continues a rolling programme of fleet modernisation, announced last year. The new aircraft will replace existing 757s and 767-200s, said Britannia, and will be powered by General Electric engines. The present fleet comprises 19 Boeing 757s and nine 767-200s with an average age of three years.

The first four new aircraft will be used primarily on long-haul flights to Australia, New Zealand, Africa, the US and India, and will be configured with 328 seats for long-haul operations. Mr Roger Burnell, Britannia'a managing director, said aircraft such as the 767-300 would enable Brittania to continue to offer low cost air travel, particularly on long-haul routes.

The aircraft will be financed through a mixture of leasing and acquisition, but Britannia said the "fine timing" had yet to be worked out. *Andrew Baxter, London*

■ The contract to built one of the biggest infrastructure projects in the Irish Republic, a £67m ($43m) road tunnel under the River Lee at Cork, has been awarded to a joint venture between Tarmac, the UK construction group, and Irish contractors P.J. Walls of Dublin. Construction of tha immersed tube tunnel, made of pre-cast concrete boxes, each weighing up to 30,000 tonnes, is due to start early next year and will take 3½ years to complete. Mr Brian Pellard, managing director of Tarmac Construction, said the British group also was "making a strong bid" to build the tunnel section of the proposed bridge and tunnel link between Denmark and Sweden across the Oresund Strait. *Andrew Taylor, Construction Correspondent*

■ UK construction group John Laing in partnership with Hip Hing of Hong Kong has won a £23.4m contract to build the new British consulate in Hong Kong. The offices will be used by the British Trade Commission, the British Council and by British representatives on the Sino-British Joint Liaison group as for consular, immigration and passport services. The building will be situated on the former Colvin House site in Supreme Court Road. Construction is due to be completed by spring 1996. *Andrew Taylor*

■ Repap Enterprises, the North American forest products group, has signed a C$100m ($73m) three-year year pulp supply contract with China. Repap is also selling its lightweight coated papers through its new Beijing sales office and plans "an operating presence" in China. *Bob Gibbens, Montreal*

Russian trade turns westward

John Lloyd on a fall of commerce with other former Soviet states

Russia now trades more with developed countries, especially with western Europe, than with other former Soviet states – a dramatic change in trading patterns over the past three years.

The first figures showing trade with developed countries and the other members of the Commonwealth of Independent States (CIS) were released yesterday at a conference of senior Russian and European Union officials and ambassadors.

The data show that, in the first two quarters of this year, Russia's trade volume with the memhers of tha European Union, stood at $16.8bn ($9.9bn exports and $6.9bn imports) – 37 per cent of its total trade.

This compares with $10.8bn trade turnover with the other CIS member states ($6.2bn exports and $4.6bn imports) – 24 per cent of its total trade. Trade with the former partners in Comecon, the trading bloc which used to unite the socialist countries, has fallen even faster: central and eastern European countries had a trade turnover of only $5.7bn with Russia in the first half of this year ($3.7bn Russian exports and $2bn imports).

By fer the largest part of Russian exports to these and other countries is raw materials, especially energy.

Russia has cut hack on energy supplies to the CIS states, preferring the greater ability to pay and the higher prices paid hy states outside of the former Soviet Union – a policy which the government has said will continue this year and which is likely to cause prohlems to the weakerCIS members.

Germany is by far the most important trading partner for Russia within the EU – and in the world. Bonn's 1993 trade turnover with Russia stood at $5.8bn, compared with China's $4.02bn. Mr Reiner Hartmann, the Moscow representative of Ruhrgas – the biggest foreign customer for Russian natural gas – said that Germany takes 30 per cent of its gas and 12 per cent of its crude oil from Russia.

"Without any doubt Russia's market today and tomorrow is in western Europe – and for the European Union, Russia is the most significant trading partner on the continent."

Russia is the fifth largest trading partner for the EU after the US, Switzerland, Japan and China. A background paper produced for the conference says that there is "enormous potential" for a growth in trade.

"In the long rnn one might expect these trade flows to converge on something closer to the scale of the EU's trade with the US, currently seven times greater. While it will take many years for such economic structures to develop, the geographical proximity of Russia and the EU will facilitate a great trade expansion," the paper said.

Russia has progressively liberalised trade policies over the past three years – though it re-imposed some tariffs earlier this year. The government, however, faces calls for more protectionist measures in the face of continuing decline in Russian industrial production. The structure of Russian imports has switched massively from capital goods and equipment to consumer goods, especially food.

The Agreement on Partnership and Co-operation, signed by President Boris Yeltsin and EU leaders in Corfu in June, established a legal framework for trade in goods and services and for the operation of foreign investments. The agreement is designed to evolve until 1998, when a review of its operation will be held to determine whether or not a free trade regime can be established between the EU and Russia.

EU states also play a dominant role in the formation of joint ventures – with over 90 per cent of total ventures being between a company from one of the EU states and a Russian enterprise.

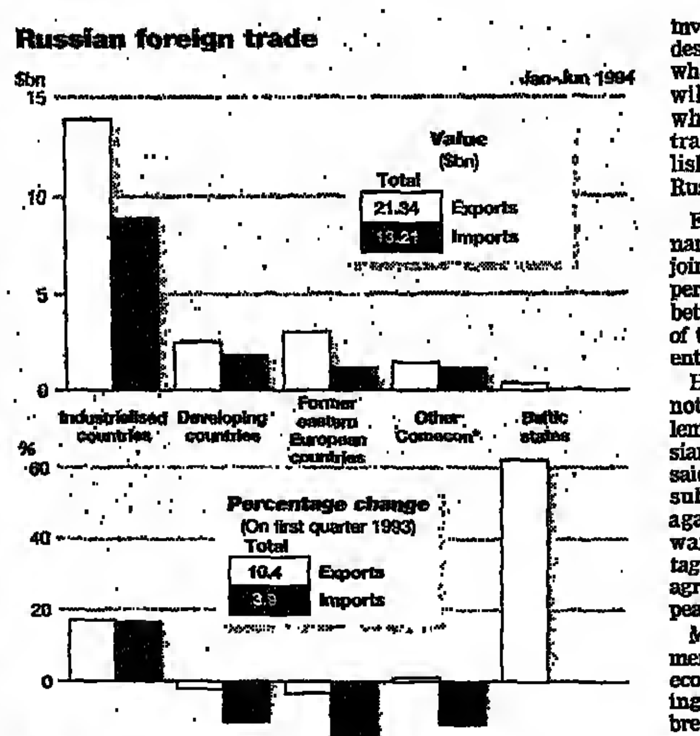
However, the expansion is not without attendant problems. Mr Sergei Krylov, Russian deputy foreign minister, said EU states still practised suhstantial discrimination against Russian goods. "We want no particular advantages," he said, "we want only agreed entrance to the European market."

Mr Oleg Bogomolov, a former official dealing with Comecon relations and now a leading deputy, said that "the breaking of the links with our former partners has been painful for them and us – and our trade with western Europe should not be to the detriment of trade with the CIS".

Mr Georgy Gabunia, deputy trade minister, and Russia's chief negotiator of the agreement between the EU and Russia on partnership and co-operation signed in June, said that when Austria, Finland, Norway and Sweden join the EU "it will affect us adversely because we have freer trading arrangements with them than with the EU".

And Mr Sergei Baburin, a leading nationalist deputy of the state duma (lower house) told the conference that "the influence of western Europe on Russia means an increase in pro-communist and nationalist sentiment here....the western European view of Russia as e source of crime, of drugs, of prostitution is a result of these policies which the western states have urged upon us".

Russian foreign trade



Source: Ministry of Foreign Economic Relations

* China, North Korea, Laos, former Yugoslavia

Japanese spinners want cheap imports squeezed

By Michiyo Nakamoto in Tokyo

Japan's textiles industry is to ask the government for protection under tha Multi-Fibre Arrangement (MFA) to stem a surge of cheap imports from China and other Asian countries.

The Japan Spinners' Association said it was hoping to file an application requesting the Japanese government to restrict imports of low-priced cotton yarn. The Japan Chemical Fibres Association is also considering an application.

The moves follow an announcement by the Ministry of International Trade and Industry that it has established rules for imposing emergency restrictions on textile imports under the MFA. The rules, which would apply for three years, call for year-long investigations and bilateral negotiations before the imposition of restrictions. They are designed to give the domestic industry time to allow it to carry out structural reforms, Miti said.

Mr Ryutaro Hashimoto, trade minister, yesterday stressed the international acceptance of the new rules: both the US and the European Union had introduced restrictions on textiles imports under the MFA.

Japan's textile industry has come under growing pressure from cheap imports, notably in the past two years with the yen's appreciation. Textile imports rose 13 per cent to Y1,511.5bn ($15.34bn) in the first nine months of this year compared with the same period in 1993, according to the Japanese government.

The industry, which was profitable until 1986, suffered a $10bn loss last year, expected to rise to $14bn this year, according to the Japan Chemical Fibres Association.

In the first half of 1994, imports of cotton yarn and cotton fahrics reached a peak according to the Japan Spinners' Association. The number of companies in the cotton spinning industry fell by about 10 per cent last year from 162 to 145, the association noted.

The trade ministry has, however, been cautious in its approach to restricting textile imports.

Japanese retailers have benefited from being able to import directly from low-cost textile manufacturers in China and elsewhere. Consumers have also enjoyed lower prices offered by retailers as a result of cheaper imports.

The ministry is aware of the technical difficulty in proving that imports have damaged domestic industry.

There are also the political considerations regarding a decision which could alienate consumers as well as the developing countries which may be hurt by restrictions, one industry official noted.

The government would also be relnctant to risk being exposed to criticism that it is going against the tide of free trade which it has so fervently advocated in its trade negotiations with the US.

Gatt members near-unanimous in rejecting Boutros Ghali scheme

New trade group shuns UN links

By Frances Williams in Geneva

The preparatory committee of the future World Trade Organisation has rejected any formal links with the United Nations, decisively rebuffing a campaign by Mr Boutros Boutros Ghali, the UN secretary-ganeral, to bring the WTO within the UN system.

Mr K Kesavapany, Singapore's ambassador to the General Agreement on Tariffs and Trade and chairman for institutional matters, yesterday said that Gatt members had found no grounds for "any formal institutional arrangement" between the WTO and the UN.

Mr Boutros Ghali has been lobbying hard in New York for the WTO to become a specialised UN agency or, failing that, to have the same kind of looser UN attachment enjoyed by the World Bank and the International Mooetary Fund. However, the idea has met with virtually unanimous opposition among Gatt members in Geneva, including the Quad group of leading traders, the US, the European Union, Japan and Canada. Developing countries are equally unenthusiastic, with the exception of Egypt, Mr Boutros Gbali's home country.

The WTO, due to take over from Gatt on January 1, will have to co-operate on various aspects of trade policy with a number of international organisations, including the World Bank, the IMF and the World Intellectual Property Organisation, a UN specialised agency.

However, Mr Kesavapany said that, with one exception, pragmatic ties between the WTO and the various intergovernmental bodies could be established by the WTO'a governing council. The exception relates to co-ordination with the IMF over balance of payments issues.

Officially, Gatt members take the view that as contractual agreements, Gatt and the WTO are legally incompatible with the UN structure because their rules must be negotiated not imposed by a higher authority. Unofficially, trade diplomats are anxious to keep the WTO well away from the political and bureancratic clutches of the UN. Gatt, with a relatively small staff of about 450, is generally considered to be among the most efficient of the international organisations in Geneva, partly because it has managed to avoid the destructive politicisation experienced by much of the UN system. Gatt's relations with the UN are governed by an agreement of August 1952 covering ad hoc co-operation – an approach likely to be continued by the WTO.

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NEWS: AMERICAS

Proposition 187 violates human rights, says Mexican politician

Zedillo assails US measure

By Jurek Martin in Washington

Mr Ernesto Zedillo, Mexico's president-elect, was ready to tell President Bill Clinton yesterday that he viewed anti-immigrant initiatives like that approved in California this month as "a violation of basic human rights".

In a breakfast session with reporters prior to a White House lunch, Mr Zedillo said he would insist that cross-border issues like illegal immigration be dealt with bilaterally and not left to unilateral state action.

He pointed out that Mexican laws already guaranteed the access to education and health-care for all, regardless of nationality, that California's Proposition 187 would deny to undocumented aliens. He hoped the US would engage in an "extensive" public debate which would end up by reflecting the "traditional American values" which had always welcomed immigrants.

Unlike the outgoing Mexican government, Mr Zedillo made no explicit link between illegal immigration and a deepening of the North American Free Trade Agreement, approved 12 months ago.

He argued that Nafta should contribute to the sort of economic development which would lessen the pressures on Mexicans to seek employment in the US. The pact has already resulted in a 20 per cent growth in bilateral trade, turning Mexico into the fastest growing market for US exports. He also foresaw a wider hemispheric free trade area in the foreseeable future, starting with Chile.

Mr Zedillo said he recognised with gratitude the position that Mr Clinton and his administration had taken against Proposition 187, the implementation of which, due next year, is already under challenge in state and federal courts.

However, anti-immigrant sentiment has been fuelled by the California referendum and now threatens the social benefits of those foreigners legally resident in the US.

One version of the draft welfare reform bill being considered by the new Republican majority in the House contains such a threat, with a few exemptions for the elderly.

This bill would also require that welfare agencies report to tha federal government any case in which a recipient is suspected of being an illegal immigrant, as Proposition 187 does for doctors and teachers.

This week two former Republican cabinet members, Mr Jack Kemp and Mr William Bennett, again voiced their misgivings about immigration controls. Mr Kemp, former housing secretary and a potential presidential candidate, warned that the Republicans risked turning themselves "inwards to a protectionist and isolationist and more xenophobic party", contrary to its traditions.

But their arguments have already been directly criticised in the National Review, the magazine for conservative thinkers.

One article in its latest edition, headlined "America's identity crisis," claims that all immigration, legal and illegal, "strengthens and reinforces ethnic subcultures", produces minimal economic benefit and is directly responsible for what the author condemns as the flowering of multiculturalism and the growth of the welfare state.

Metropolitan Phoenix rises as construction industry hots up

Building employment is booming, writes George Graham from Arizona, but competitive market is helping restrain pay inflation

In a conatruction-driven economy like the Phoenix metropolitan area, where building accounts for 30 per cent of all new job creation, you can see the signs of expansion all around you: in the red-tiled homes sprouting among newly-planted palm trees and saguaro cacti in the north valley and the shiny office buildings and shopping centres downtown.

Other sectors are prospering, too. Intel is putting up a $1.3bn microchip plant in the southern suburb of Chandler, and surging copper prices have brought good times again to Arizona's old-established mining industry.

Employment in the state is projected to climb by 5 per cent this year, with much of the growth in the Phoenix metropolitan area, and construction employment has been expanding at an annual pace above 15 per cent.

"The Greater Phoenix economy is booming, and signs point to continued prosperity over the next several years," proclaims tha Greater Phoenix Economic Council, a public and private sector partnership which boosts development in the metropolitan area.

As the Federal Reserve seeks to cool down a national economy where employment is growing only half as quickly, hot spots like Phoenix are the sort of area where the inflationary pressures the Fed fears might be expected to be showing up already.

But local economists say that even the most rapidly growing sector of the local economy – construction – is not showing the kind of wage inflation that might be expected.

"There is definitely a lot of pressure on wages but I don't believe that it is being translated into higher wage levels. It's a sufficiently competitive housing market that you couldn't simply raise wages, or you'd be priced out of it," says Mr Dan Anderson of Arizona's Department of Economic Security.

Home prices in Phoenix have risen by 3.3 per cent over the past year to an average of $91,100, but remain well below those in nearby cities such as Albuquerque or Las Vegas, and less than half the average of Los Angeles or San Francisco.

Bottlenecks are emerging, however, particularly for construction skills such as framing carpenters. "When you see hand-painted signs on building lots saying 'Framers wanted – apply on site' you know there are skill shortages," says Mr Bill Stephenson, director of economic development with Arizona Public Service, the largest local utility.

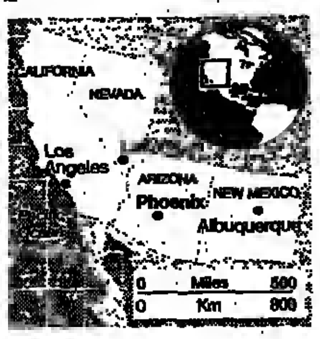
Skilled framers are more likely to look for work in neighbouring Nevada – also experiencing strong construction activity – or in southern California, where demand for construction labour has been heavy this year as the Los Angeles area seeks to rebuild after January's earthquake.

"The wages California pays are clearly higher than wages offered here. We simply could not compete with them," says Mr Anderson.

"Basically, the building companies have hired all the really skilled people they can and they are now down to hiring peopla who are really learning on the job, and those people are not paid that much," says Mr Tracy Clark of the Economic Outlook Centre at Arizona State University in Tempe, a southeastern suburb of Phoenix.

Instead of raising wages or prices, builders are simply stretching out their construction times.

Construction activity has been centred on single family homes, with building closely tied to real demand. But, as this subsides, apartment construction may start to pick up the slack. Glyn Genin



"Where they might have been able to complete a house in 90 days we are now seeing 120 or 150 days," says Mr Anderson.

In other segments of the labour market, however, Arizona still has a degree of slack.

"We've got tool and die makers selling hardware at the department store, waiting for the right job to come along," says Mr Stephenson of Arizona Public Service.

Local economists say growth this time around is built on moch more solid foundations than the construction boom of the mid-1980s, which burst spectacularly when the tax breaks which had prompted it were repealed.

This year, construction activity has been centred on single family homes, with building closely tied to real demand. The boom in this sector is now slowing down, as pent-up demand from the recession has now largely been satisfied, and is expected to glide down to a pace tied to the state's population growth, forecast at around 2.6 per cent a year. Apartment construction may now start to pick up the slack, but the building industry is not expected to have all cylinders firing at once.

Still, there is one sign of speculative overheating that the Fed might want to keep an eye on. The Arizona Cardinals American football team plays in a first rate stadium deemed good enough to host the Superbowl national football championship game in 1996, but Mr Bill Bidwill, the team owner, is already talking about building a new stadium.

Cynical Phoenix sports fans suggest that Mr Bidwill might want to build a winning team before he starts thinking about a new stadium.

> Local economists say growth is built on much more solid foundations than was the mid-1980s construction boom

Orders for durable goods fall in value

Sharply lower orders for new cars and aircraft pulled down the value of US durable goods orders in October, the Commerce Department said yesterday, Reuter reports from New York and Washington.

Orders fell 1.5 per cent to a seasonally adjusted $152.8bn (£97.3bn) after a revised 0.3 per cent rise in September. Wall Street economists had forecast a 0.4 per cent gain in October orders.

It was the first decline in durable goods orders in three months. The fall was caused entirely by a sharp decline in transport goods orders, which plunged 9.4 per cent to a seasonally adjusted $35.2bn. Excluding transport, durable goods orders rose 1.1 per cent after a 0.4 per cent September increase.

Analysts said the fall in could signal early signs of fatigue in the US manufacturing sector. "This is a warning sign for smokestack America," said Mr Stephen Roach, economist at Morgan Stanley. "It certainly does not suggest the economy is powering ahead on all cylinders."

Some areas of the report displayed surprising weakness, said Mr Roach, particularly non-defence capital goods orders, which fell 2.9 per cent after a 3.6 per cent rise in September. "This suggests the capital goods rate of growth will probably moderate from the vigorous gains we had earlier this year," he said.

However, others expressed caution in interpreting the figures. "I'm surprised by tha marked weakness in transportation orders, but I hesitate to read too much into it," said Ms Carol Stone, economist at Nomura Securities International. She pointed to other sectors, such as industrial machinery, which continued to advance at a brisk pace.

Officials said the valoa of durable goods orders excluding transport was a record $117.6bn.

Defence orders fell in October by 16.9 per cent after rising 11.6 per cent in September. Electronic and electrical goods orders rose 0.5 per cent after a 4.3 per cent September gain. Shipments of durable goods were down 1.2 per cent in October after a drop of 0.8 per cent the month before.

Brazil refineries hit by oil workers' stoppage

By Angus Foster in São Paulo

Brazil's oil workers went on strike yesterday over a long-running wage claim which the accident-prone government of outgoing President Itamar Franco seems increasingly incapable of solving.

Most of the country's 10 main refineries, including the three biggest, were reported to be affected by the stoppage which union officials said would be stepped up over the coming days. With diesel and some household fuel stocks low because of recent heavy demand, Brazil could face shortages of these products if the strikes last more than a few weeks.

The oil workers first went on strike for a week at the end of September over a 108 per cent pay claim and other demands. Mr Franco intervened and agreed to most of the workers' claims without consulting their employer, the state-owned oil monopoly Petrobrás.

The president's accord would have cost Petrobrás more than $400m, which the company says it cannot afford, and could have prompted high wage claims throughout the public sector and undermined Brazil's new currency, the Real. When the high cost of his accord was explained to the president, he cancelled it.

However, initial approval by the president and the energy ministry has considerably strengthened the resolve of the workforce. They say they will not accept anything but reinstatement of the original accord and have rejected a labour tribunal ruling that they should only receive a 13 per cent rise.

● Brazil's inflation rate, as measured by the government's main IPC-r index, jumped to 3.27 per cent in the month to mid-November, against only 1.86 per cent in the previous four-week period.

The increase, which is higher than expected, will add to the government's problems. According to law, salaries have to be increased in line with the index, which has now risen nearly 20 per cent since the Real currency was launched in July.

● Brazil's president-elect, Mr Fernando Henrique Cardoso, has accepted an invitation from President Bill Clinton to attend the Miami summit of American states next month. Mr Cardoso will travel with outgoing President Itamar Franco and is expected to meet Mr Clinton privately during the visit.

هكذا من الأصل

Saudis flock to private sector

Growing number leaving traditional careers, reports Mark Nicholson

Mr Yousef Salman, Saudi plant manager at the Zoujaj bottling factory outside Riyadh, cuts a distinctive profile behind his desk.

He sports a polo shirt and khaki jeans, rather than the otherwise universal Saudi uniform of white *thobe* (robe) and *ghutra* (headdress). "Because of my dress people don't think I'm a Saudi," he says. "People address me in Urdu or Hindi."

Urdu or Hindi, because the more usual denizens of the factories of Saudi Arabia's fast-growing light industrial sector are Indians, Pakistanis, or perhaps Bangladeshis and Filipinos. Until lately, Saudi citizens have been a rare sight on the shop floor.

Cheap, contracted labour from the sub-continent and East Asia still overwhelmingly predominates in the dozens of furniture, cable, glass, electrical and other factories in Riyadh's industrial zones.

But Mr Salman is among a growing number of Saudis departing from the traditional career path of most of their countrymen – a secure job with the government – for the higher-pressure work of the private sector.

Zoujaj, which produces 700,000 bottles a day for clients including Coca Cola and Pepsi, counts 37 Saudis on its 244-strong payroll.

Across the road at the Saudi Lighting Company, a fast-growing light fittings group, 50 Saudis are on the 600-strong staff and, says Mr Mohammed Mustafa, finance director: "They're picking up. We are now getting Saudis knocking at our door for jobs; once you had to go and look for them."

Bankers and hoteliers say there has been a clear rise over the past three years in the number of Saudis willing to accept private-sector jobs at rates of pay they would previously have spurned.

"We have little trouble these days finding Saudis for some jobs at about Saudi Riyals 3,500 ($921) a month," one Riyadh banker says.

Accurate labour statistics are not published in Saudi Arabia. But it is a fair estimate that more than 90 per cent of Saudis either work directly for the government or for parastatal groups, a proportion replicated in most other Gulf states.

Hours tend to be undemanding, working conditions comfortable, salaries start at about SR5,000 a month for a graduate entrant; government jobs offer virtual tenure.

However, with the government in the clutches of a two-year-old cash flow problem and ministries this year cutting budgets by 19 per cent, state bodies have imposed an informal hiring freeze.

Most bureaucracies were overstaffed in any case, according to local economists.

At the same time, the Saudi private sector has continued growing over the past two years, bolstered by an array of state incentives, including cheap permits on industrial zones and concessionary lending from organisations such as the Saudi Industrial Development Fund.

According to the commerce ministry, the number of licences for private concerns rose 28 per cent between 1991 and 1993, to a total of 423,800. More private companies are producing more job opportunities for young Saudis.

The population is growing at about 3.7 per cent a year, pouring 90,000-100,000 prospective workers onto the job market annually – numbers the bloated state bureaucracy cannot swallow.

Such market pressure is forcing young Saudis to consider working in the private sector, although such movement is a growing trend rather than a tidal wave at present.

But there have been recent signals from the government that it might be preparing to give this trend a bigger push.

The government has for years tried to encourage Saudis to join the private sector: the present five-year plan, penned in 1990, said it expected 96 per cent of new jobs in the kingdom to come from private enterprise, and state plans since 1970 have consistently advocated "Saudi-isation" of the private sector.

However, while Saudi labour law formally decrees that 75 per cent of all companies' workforces should be Saudi, Mr Hussein Sijini, deputy minister of planning, says the government has never enforced this for fear of impeding the private-sector growth which it sees as vital to the kingdom's policy of diversification away from oil.

Saudi workers are expensive. Where a young Saudi technician might come at SR3,500 a month, Indians or Filipinos are usually paid SR1,400 a month, plus a package of board and lodging.

However, King Fahd, the Saudi ruler, has recently re-emphasised the government's determination to see a rise in Saudi employment in the private sector.

A recent visit to Riyadh by a team from the UK Inland Revenue has prompted local bankers and businessmen to wonder if the government is considering fiscal incentives to companies which hire Saudi workers.

Such measures may be contained in the forthcoming January 1 budget.

Hpwever, for some Saudis, such incentives are unnecessary. "A lot of us just had enough of the government system," says Mr Omar al-Shuwaier, who left a government department two years ago to form and manage Rowad National Plastic, Saudi Arabia's first plastic sheeting company.

"We don't want to work for the government system with its routines, or for the old-style private companies where it's all on a personal basis; if the owners don't like you, they kick you out."

Instead, Mr al-Shuwaier says, he and some Saudi colleagues prefer the more ordered and formal board of directors and western-style management structure.

"I see more people like me in industry," he adds.

"Our financial and administrative manager used to work with the government, but since he's been with us, he no longer has the time to drink tea and read the newspapers.

"The challenge he has is new, the experience – it's huge. We're not the highest paid here, but there's a system here – a more reliable system."

Saudi Arabia, short of the necessary manpower for its ambitious defence programme, is considering the introduction of compulsory military service, diplomats in the kingdom said yesterday, Reuter reports from Dubai.

They said the proposal has come in a draft of the country's new five-year development plan due to come into effect in January and which has yet to be approved by King Fahd.

Compulsory military service is among necessary conditions to "develop Saudi society, enhance the country's defence capabilities and deepen citizens' loyalty and sense of belonging," they quoted the draft as saying.

Saudi Arabia, with a population of 17m, of whom 4m are foreigners, has embarked on a $10bn programme to beef up its defences by the end of the century.

Deep doubts about Iraq's intentions despite its defeat after the 1990 invasion of Kuwait and suspicions of the radical Islamic rulers of non-Arab Iran across the Gulf are among reasons given by diplomats for the Saudi arms buildup.

But military experts have in the past wondered if the country had manpower to handle the sophisticated arms it is importing.

The London-based International Institute for Strategic Studies put Saudi Arabia's active armed forces at 158,000 men, both in the regular army and the royal-led National Guard.

A 1992 census put the number of Saudi males in the 13-17 age-group, likely candidates for compulsory military service over the next five years, at 556,500.

King Fahd, Saudi ruler: re-emphasised determination to see a rise in Saudi employment in the private sector

Jakarta to try 30 East Timorese

Indonesia will prosecute 30 East Timorese for alleged involvement in riots and pro-independence protests that swept the troubled territory last week, it said yesterday, Reuter reports from Dili.

President Suharto said all East Timorese were welcome to leave for the territory's former colonial ruler Portugal, including 29 youths staging a protest inside the US embassy compound in Jakarta.

The 29 East Timorese students who invaded the US embassy prepared to leave for Portugal yesterday, saying they feared for their safety if they remained in Indonesia.

Indonesia's hopes of presenting an open image during this month's meeting of regional leaders in Jakarta were dashed by the US embassy sit-in and Dili protests, captured on film by the world's media. "We have arrested 30 men and they will be brought to trial," East Timor Police chief Colonel Andreas Sugianto said.

The territory's outspoken Bishop Carlos Belo said police were terrifying many East Timorese since last week's protests by conducting house-to-house searches to find anyone suspected of involvement.

Col Sugianto said eight of the 30 men had been arrested in Bairo village.

Dili has been swept by riots in the past 10 days, some ignited by racial tensions and some by political opposition to Indonesian rule in the territory. Indonesia has accused foreign journalists of stoking the protests and has asked at least four to leave for lacking "proper accreditation".

Bishop Belo attacked the government for its handling of the protests and said Indonesia, which invaded the former Portuguese colony in 1975, lacked a commitment to bring peace to the troubled territory.

He deplored the protests which swept through Dili last week, but said the most recent protest at his cathedral may have been instigated by the authorities.

INTERNATIONAL NEWS DIGEST

Tourists urged to quit Gambia

The British Foreign Office yesterday called in tour operators yesterday and advised them to bring more than 2,000 holidaymakers home from Gambia because of a deterioration in the political situation. However, Gambia Experience, one of the largest operators to the country, said it would allow its customers to decide whether or not they wanted to continue their holidays.

The Foreign Office said it had been monitoring the situation in Gambia since a coup, in which Lt Yahya Jammet seized power from Sir Dawda Jawara, and there had been a steady deterioration. It said the political situation was uncertain and could deteriorate quickly. The advisory notice follows an attempted counter coup against on November 11 which Lieutenant Jammet blamed on former finance minister Mr Bakary Dabo. ***Michael Skapinker, Leisure Industries Correspondent***

Zimbabwe moves on rates

Zimbabwe's central bank, facing an outcry over punitive interest rates, has cut its lending rates to financial bodies, but economists yesterday said the action was too little, too late to bolster growth. The central bank said late on Tuesday it was lowering its rediscount rate - the benchmark rate at which it lends to financial institutions - to 29.5 per cent from 30 per cent. Citing a fall in annual inflation, it also cut the overnight accommodation rate - the punitive rate charged to financial bodies for overdrawing - to 35 per cent from 38 per cent. ***Reuter, Harare***

Oil groups sued in Australia

Shell Australia and BP Australia, both part of the larger international oil groups, are being sued by the Trade Practices Commission, Australia's competition watchdog, over alleged price collusion in the Sydney and Melbourne retail petrol markets. Shell issued a statement yesterday stating that it would "mount a vigorous defence" against allegations that it colluded with other oil companies to increase retail petroleum prices in Melbourne and Sydney between 1988 and 1991. BP Australia confirmed that it, too, was served with legal proceedings by the Commission yesterday. These, it said, alleged certain anti-competitive practices in the Sydney and Melbourne motor spirit markets between May 1991 and June 1992. ***Nikki Tait, Sydney***

110 killed in India stampede

At least 110 people were killed in a stampede that followed a police baton charge on tribal protesters in the western Indian city of Nagpur yesterday, domestic news agencies reported. They said the problem began when a crowd of protesters tried to break a police cordon set up to prevent them from marching on the Maharashtra state assembly.

The agencies quoted police as saying their men pushed back the protesters with long, iron-tipped bamboo canes and that began a panic-stricken stampede. They quoted Kripashankar Singh, a senior member of the Congress party which rules Maharashtra, as saying at least 110 people were killed. ***Reuter, New Delhi***

Correction: Nippon Glaxo

An article in the Financial Times yesterday on a Y1m bribe allegedly received by a Japanese doctor from Nippon Glaxo, the local arm of the UK drugs company, gave an incorrect sterling equivalent for the sum. It is in fact £6,500.

Taiwan set to benefit from US recovery

By Laura Tyson in Taipei

Taiwan is poised to benefit from economic recovery in the US, its biggest export market, and continued growth in its fastest-growing market, China, analysts said yesterday.

The government's central statistics office said growth in the island's gross national product reached 6.08 per cent in the third quarter of this year, up from a revised 5.62 per cent in the second quarter and 5.8 per cent in the third quarter of 1993.

The forecast for the fourth quarter was lifted to 6.9 per cent from the previous forecast of 6.44 per cent.

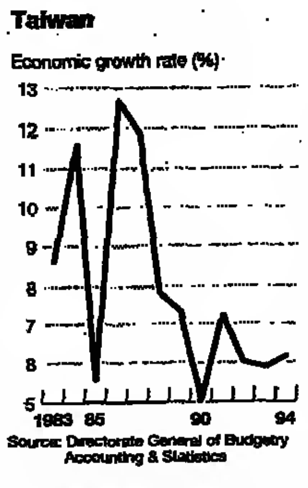
Main factors behind growth have been increased exports and improved private-sector investment

"The economic picture is more optimistic following an improvement in export performance," Mr Daniel Chen, chief economist at Chinatrust Commercial Bank, said.

"The main pumping factors behind growth in 1994 have been increased exports and improved private-sector investment. This trend will be sustained into next year."

The Directorate-General of Budget, Accounting and Statistics raised its forecast for 1994 GNP growth to 6.10 per cent from 6.01 per cent, and forecast 1995 GNP growth at 6.52 per cent. In 1993, the island's GNP rose 6.02 per cent, revised upward from an earlier figure of 5.94 per cent.

The statistics office said the leading indicator for economic growth would in future be gross domestic product instead of gross national product. It



predicted gross domestic product would grow 6.42 per cent in 1994 and 6.49 per cent in 1995.

Next year's growth would be the result of a global economic recovery and higher exports, as well as more investment in Taiwan's electronics and steel industries, the statistics office said.

Economists cantioned that the demise of China's ailing paramount leader, Mr Deng Xiaoping, could damage Taiwan's sbare and property markets. Uncertainty surrounding parliamentary elections next year, and first-ever presidential elections slated for early 1996, could also damp private-sector investment.

The ruling Kuomintang is expected take steps to stimulate the economy next year to enhance its prospects in those elections, Prof Wea Chi-lin of National Taiwan University said. He predicts the central bank is likely to nudge interest rates higher following municipal polls early next month, in line with recent US rate rises, but will bring them down again in mid-1995 to encourage investment.

The statistics office said per capita income should reach $11,629 (£7,260) in 1994, up from $11,296 as previously forecast. The figure for 1993 was revised to $10,852.

Free-enterprise Marxists support mountain kingdom's monarchy

By Stefan Wagstyl in New Delhi

Few parties with the name Marxist-Leninist have ever won a free election. But five years after the fall of the Berlin Wall, the Nepal Communist party (United Marxist Leninist) has accomplisbed this rare feat.

The communists are on the verge of forming a government after success in last week's general election. The red flag has been boisted in a country with a constitutional monarcb who held power until as late as 1990. Marx would have been impressed with how quickly Nepal bas apparently moved from feudalism to socialism.

Yet all is not quite as it seems in the mountain kingdom. Despite their ideologically correct name and the portraits of Marx and Lenin whicb adorn the party offices, the Nepali communists bear littla resemblance to Bolsheviks.

Almost the first thing Mr Man Mohan Adhikari, the party leader, did after his election victory was to call on King Birendra and pay his respects, telling him be had nothing to fear; the communist party would "firmly support monarchy in Nepal as a symbol of unity" and "pursue free-market economic policies".

The communists are much more nationalist than the purer forms of socialist doctrine would permit. Mr Adhikari made much on the campaign trail of tbe conservative Nepali Congress party government's allegedly close ties with India. But he is hardly the first communist to stoke the fires of patriotism.

The party has to approach government with caution. With only 88 seats in the 205-member parliament, it plans to rule as a minority government. It will rely on tacit support from allies either in the Congress party or the right-wing royalist grouping, the Rastriya Prajantra party. The prospects seem uncertain.

The election was called after arguments erupted within the party between the three at its head: Mr G. Koirala, 71, the former prime minister; Mr K. Bhattarai, party president, 70, and Mr Ganesh Man Singh, 80, party supremo.

After decades of campaigns against royalist domination culminating in demonstrations that ended royal rule in 1990, the three men had trouble adjusting to running the government.

By this summer, the country had had enough of the party's record of in-fighting and nepotism. So wben Mr Koirala precipitated a general election, voters took the opportunity to vote his party out of office.

Mr Adhikari, who at 72 is of the same generation as his Congress counterparts, started his political career in the Indian independence movement before moving to Nepal, where he spent several years in jail for his attacks on the monarchy. For years, his party was split between pro-Soviet and pro-China factions and received funds from North Korea. As late as 1989 it supported the coup against Mr Mikhail Gorbachev.

But the international decline of communism and the advent of parliamentary politics in Nepal after 1990 prompted the party into some long-overdue revisionism from which it has emerged as more social democrat than socialist.

A western diplomat in Kathmandu says: "I think we could work with these people. They are not guerrillas."

Communist party leader M. Adhikari: he called on the king to pay his respects Reuter

Australian unions start to flex their muscles

High pay claims have prompted Keating to urge employers not to buckle under, writes Nikki Tait

These are anxious times in Australian boardrooms. Across a wide range of industries, unions have been putting in large pay claims, and threats of industrial action have been quick to follow.

Among the most publicised demands has been the claim for a 15.8 per cent wage rise, spread over two years, from the 75,000-member Transport Workers Union. This has been echoed by the Textile, Clothing and Footwear Union, representing 40,000 workers asking for a similar figure. Tbe National Union of Workers, which represents blue-collar employees in factories and warehouses, has claimed 14.7 per cent, also over two years.

So far, there has been more in tha way of sabre-rattling than serious industrial disruption as the claims have been pursued. This week saw localised strikes by teachers in New South Wales and workers at Australian Meat Holdings, the nation's biggest meat-processing operation.

But the upheavals pale beside tha chaos which could ensue if the TWU makes good its threat to disturb road transport services in the run-up to Christmas.

Tbe main issue is wbere these claims will eventually be settled. Mr Ralpb Willis, Australia's treasurer, has pointed out that many of tbe headline figures are mere negotiation numbers. Moreover, some

> 'There are a lot of employers being spooked by the level of claims'

degree of "wages break-out" was probably inevitable, as employees made up for several years of recession-enforced restraint.

But this wages round is being played out under different rules from previously.

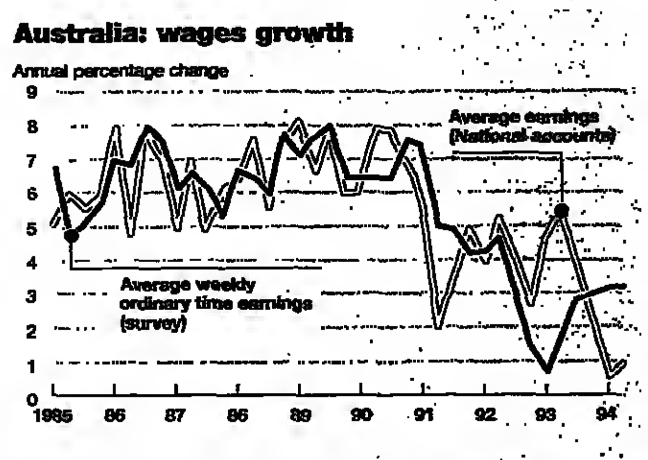
Over the past two years, Australia's traditional system of centralised awards and arbitration, backed by a pact between the Labor government and the Australian Council of Trade Unions to pursue wages outcomes whicb kept tbe nation's inflation rate in line with that of its trading partners, has reduced in importance.

Instead, an increasing number of workers have moved to company-based wage agreements.

According to Department of Industrial Relations data, at least one-fifth of all wage and salary earners are now covered by formal enterprise agreements. The number of agreements, it estimates, has risen from about 360 in August 1992, to 2,700 at present. But both statistics may be understated, since they only look at employees in the federal awards system, not tbose covered by state-based awards.

The optimists say the new system should be more efficient, because companies will only pay above-inflation wage rises wben justified on productivity grounds.

Given that labour productivity has been rising by about 1-2 per cent annually and tbe inflation target is about 2 per cent, the implication is that aggregate wages sbould increase by about 3-4 per cent a year, but with considerable flexibility for individual companies around this figure.



The problem is that wage-bargaining psychology is stubborn. Economists have noted a trend in the latest wage round for a standard pay claim to be served on all employers in a given industry, regardless of their individual circumstances.

Since last year's industrial relations reform legislation beefed up workers' rights in dispute situations, there are fears that less efficient companies will be pressured into settling at the same level as their more productive competitors, simply to buy peace.

"There is a risk that firms whose sales have been growing quickly will 'roll over' to avoid disruption to business, planning to push through price rises in the face of strong demand to offset higher labour costs," analysts warn.

Already, Mr Paul Keating, the prime minister, has urged amployers to stand firm. Yesterday, Simon Crean, a former union president and now employment minister, added that claims such as those of the TWU should be capable of being resolved by "sensible discussion".

Employers' organisations, which have long sought this devolved system, are optimistic. "Certainly, there are a lot of employers being spooked by the level of claims, and that in itself is a worry," says Mr Stephen Kates, economist at the Australian Council of Commerce and Industry.

"But I think the reality is that most businesses will find they can't push the added costs [of above-inflation pay settlements] through to prices."

Financial markets seem less convinced. The yield on Australia's 10-year bonds stands at about 10.8 per cent, way above that of the US, which stands at about 8 per cent, and closer to the levels of Spain or Italy. While wages are only one ingredient in the inflation equation, it is not a sign of confidence.

Ministers defy rightwingers' refusal to support $1.2bn rise in contributions

Cabinet threatens to quit on EU vote

By Kevin Brown, Political Correspondent

Mr Kenneth Clarke, chancellor of the Exchequer (chief finance minister), yesterday raised the stakes in the government's battle with its Eurosceptic backbenchers by revealing a cabinet pact to resign *en masse* if the government loses a crucial vote on Monday.

The chancellor's disclosure followed rightwing anger over Treasury figures admitting that UK contributions to the *EU* budget will be £732m ($1.2bn) higher than expected this year.

The increase, attributed to faster economic growth, was seized on by Eurosceptics as justification for their plan to vote against the second reading of the European Communities Finance Bill.

It prompted rightwing claims that up to 24 Tory backbenchers are now willing to back a challenge to Mr John Major's leadership of the Conservative party, probably by someone intended to draw out a serious challenger.

But amid mounting speculation, Mr Clarke demolished Eurosceptic claims that the defeat of the bill would trigger a Tory leadership ballot rather than the general election threatened by Mr Major. Mr Clarke said "the entire cabinet" agreed with the prime minister's decision to make the bill an issue of confidence, and ruled out Mr Major's replacement by any senior government member.

"If anything silly were to happen on Monday, it would be the inevitable consequence of the defeat that the government would fall," he said.

The decision to risk the future of the government by treating the bill as a confidence issue was taken by Mr Major and a group of five senior cabinet ministers over an informal supper at Downing Street 10 days ago.

The ministers present – Mr Clarke, Mr Douglas Hurd, foreign secretary, Mr Michael Howard, home secretary, Mr Michael Heseltine, trade and industry secretary, and Mr Tony Newton, leader of the Commons – all backed Mr Major's strategy.

Downing Street officials said the issue was not minuted formally by the cabinet, but other ministers were consulted by the prime minister and chancellor.

Mr Clarke said the increase in this year's forecast out-turn, from £1.7bn to £2.4bn, reflected faster economic growth and factors such as changes in payments under the Common Agricultural policy.

Mr Clarke also released figures showing that the increase in British contributions caused by the bill would be limited to £75m next year and £250m a year by the end of the century.

Mr Bill Cash, a leading Eurosceptic MP, said the government had "caved in because they now have to recognise the strength of the determination of the Eurosceptics and we are once again proved right".

Ministers remained confident of victory in the debate, partly because the nine Ulster Unionist MPs are expected to vote with the government on Monday.

● Conservative MPs are demanding swingeing public spending reductions in Tuesday's Budget to pave the way for tax cuts before the next general election, according to a Financial Times survey.

Mr Clarke's personal rating has risen sharply, with 82 per cent saying he is doing an excellent or good job compared with 68 per cent a year ago.

What Tory MPs would like to see in the Budget

Results shown in rounded percentages. Totals do not necessarily add up to 100 because respondants have in some cases chosen more than one option or have not answered every question. Written questionnaires were returned by 70 Conservative MPs between November 8 and November 22

● What should Kenneth Clarke set as his first Budget priority?	
Cuts in spending and/or borrowing	50%
Steady non-inflationary growth	24%
Boosting investment/cutting unemployment	12%
Tax cuts	7%
● Should he cut the basic rate of income tax?	
Yes	11%
No	86%
● Should he impose a windfall tax on privatised utilities?	
Yes	14%
No	80%
● Where should spending cuts fall most heavily?	
Social security	77%
Education	6%
Defence	7%
Health	13%
Local authorities	34%
Whitehall overheads	13%
● Should Mr Clarke raise interest rates soon to pre-empt inflation?	
Yes	26%
No	67%

Senior Tory ridicules French and Germans

By Kevin Brown, Political Correspondent

The Conservative party's divisions over the European Union were demonstrated starkly yesterday as Conservative central office disowned an outspoken attack on the French and Germans by a senior Tory official.

Mr Patrick Nicholls, MP for Teignbridge and a deputy chairman of the party, was widely condemned for a newspaper article ridiculing the Germans as warmongers and the French as cowards.

Writing in the Western Morning News, his local newspaper, Mr Nicholls said Germany's main contribution to Europe had been to plunge the continent into two world wars within living memory.

Mr Nicholls dismissed the French as "a nation of collaborators," who presented themselves as a nation of resistance fighters.

He said France was "incapable of winning any war unless it is fought by the French Foreign Legion, and only then because it is officered for the most party by English, Americans and Germans."

Explaining his dislike of the EU, Mr Nicholls wrote: "I wish I was not in the European Community. If I thought it was feasible to leave it, I would be off tomorrow."

Conservative Central Office distanced itself from Mr Nicholls, who is responsible for campaigning strategy for Wales and the South West, and the elderly.

"He makes it clear that he fully supports the government's policy towards Europe. His choice of words is his, not ours," a senior party official said.

Top pay levels may be curbed

By Ivor Owen, Parliamentary Correspondent

Shareholders may be given increased powers to curb excessive pay increases for top company executives, Mr Kenneth Clarke, chancellor of the Exchequer, disclosed in the House of Commons yesterday.

He revealed that the practical issues involved were under examination as the government came under renewed pressure to condemn the 75 per cent rise awarded to Mr Cedric Brown, British Gas chief executive.

It is understood that the chancellor has had preliminary discussions with Mr Michael Heseltine, trade and industry secretary, about the legislative implications of increasing shareholder power.

Mr Clarke ruled out renewed Labour demands for the imposition of a windfall tax on the excess profits of privatised utilities, and for executive salaries to be brought within the regulatory regimes which oversee their pricing policies.

He said he disapproved of large salary increases in any company which went far beyond what could be deemed reasonable.

Sir Edward Heath, the former Conservative prime minister, described Mr Brown's increase as the "unacceptable post-privatisation face of capitalism".

Mr Gordon Brown, the opposition Labour party's shadow chancellor, said the profit levels of the privatised utilities had increased by 50 per cent during the recession.

Abandonment of Maxwells' trial is urged

By John Mason, Law Courts Correspondent

Defence lawyers are seeking to have the Maxwell brothers' trial on fraud and other charges called off on the grounds that publicity over the Robert Maxwell affair has made a fair trial impossible. The brothers are sons of Robert Maxwell.

The attempt to halt the criminal proceedings against Mr Kevin Maxwell and his brother Ian was disclosed in court for the first time yesterday when the Serious Fraud Office applied for a reporting ban on a current High Court case concerning Maxwell pension fund assets used to raise a £50m ($82m) loan.

A *successful SFO application* would rule out any reporting of the attempt by UK pensioners to recover £60m from Credit Suisse bank, which accepted the assets as collateral for the loan. The SFO claimed the ban was necessary to avoid prejudicing the criminal trials, the first of which will start after Easter next year. The Credit Suisse case is expected to end next summer, but if the SFO succeeds, pensioners could be left in ignorance of the result for a further two years, their lawyers argued.

Mr Justice Lindsay, the judge in the Credit Suisse case, rejected an SFO request for the imposition of reporting restrictions on yesterday's hearing.

Arguments over calling off the criminal proceedings against all defendants in the Maxwell fraud trial will be heard next January. First in line for trial will be four of the six facing various fraud charges – Kevin and Ian Maxwell, Mr Larry Trachtenberg, a former adviser to their father, and Mr Robert Bunn, a former finance director of Maxwell Communication Corporation.

In the first trial, Mr Kevin Maxwell will face only two charges of a total nine. These allege conspiracy to defraud over pension fund assets. Mr Ian Maxwell, Mr Trachtenberg and Mr Bunn will all face one charge of conspiracy to defraud.

Further proceedings against the four along with two former Robert Maxwell employees, Mr Michael Stoney, a former Mirror Group Newspapers finance director, and Mr Albert Fuller, *a former MGN treasurer*, are set to follow next.

Mr Michael Crystal, lawyer for the Mirror Group Pension Fund Trustees, argued against a blanket reporting ban on the Credit Suisse proceedings. The criminal proceedings might last until 1997 and such an order could prevent pensioners being properly informed of the result of their action, he said.

In the action, both the trustees and the liquidators of Bishopsgate Investment Management, the main Maxwell pension management company, are suing Credit Suisse. They claim the bank knew, or should have known, that shares it accepted as security for the £50m loan were pension fund assets.

Ten national newspapers are opposing the SFO application. The hearing was adjourned until December 5.

Postal workers set to strike

By Robert Taylor, Employment Editor

One-day post office strikes will be held in the run-up to Christmas as counter staff around Britain showed substantial support for action in response to their union's call to oppose the "back-door privatisation" of services.

Mr Michael Heseltine, the trade and industry secretary, told MPs that industrial action by counter staff was "extremely unwise". He said strikes aimed to "frustrate the management of the Post Office, transferring individual post offices from the public to the private sector".

There were majorities in favour of striking in only 20 out of 71 areas. In the ballot, the entire UK counters' staff rejected the strike call by a narrow 51 per cent to 49 per cent, but each postal area has been allowed to decide whether or not to take industrial action.

The Post Office said the result was "a resounding rejection of unnecessary industrial action". Any strikes would be "pointless and misguided".

"Only a small minority of crown offices could be affected by a few single-day stoppages," the Post Office added. "More than 19,000 post offices will be open for business as usual. Whatever action the Union of Communication Workers takes will have no affect on the nation'a Christmas mail."

The union said that, despite tha U-turn over privatisation, the Post Office counters' service was continuing to shut down main offices, franchising many of them to retailers.

Cadbury seeks to 'marginalise' trade unions

Cadbury, the confectionery arm of Cadbury Schweppes, is planning to weaken the trade unions at its plants through a new strategy for its 5,000 UK employees, according to internal company documents obtained by the TGWU general union, our *Employment Editor* writes.

An internal company paper says: "The role of the trade union needs to be marginalised by greater focus on direct communication and consultation but without an overt statement to this effect."

The paper is a summary of the "personal values agreed by senior factory managers" at a *meeting* on *September 29*.

The leaked document suggests that the company will need to reduce its workforce, and says it may have to consider a "potential downsizing scenario".

It also says: "Employee support for the trade union should... decrease over time. However, it is not likely that the trade union would be derecognised, given the likelihood of downsizing. A redefined role for the trade union is therefore required."

The company adds in the paper that, for those groups whose unions have been derecognised, "it is important they are not exploited by the company as this would lead to pressure for renewed trade union involvement".

Cadbury also intends to investigate "how involvement can continue without formal union structures".

Cadbury's other plans include "severing the link between the retail price index and pay and replacing collective bargaining with individualised arrangements" tied to skill, competence and performance-related salaries".

Mr Brian Revell, the TGWU's national secretary for the food industry, said the new strategy was disappointing. "It is certainly not consistent with the company's respectable Quaker image of the past," he said, and suggested that it was being "basically... manipulative". Shop stewards from Cadbury unions are due to meet this weekend to discuss their response.

The company said last night that Cadbury was "looking at possible options for the future".

Zeneca, the chemical and pharmaceutical company, has decided to end collectiva bargaining with unions representing 8,200 white-collar staff in its UK plants.

The company has given union *officials six months'* notice of its intention to abandon company-wide negotiations on pay and conditions of service including hours of work, holidays, working arrangements, shifts and security of employment.

From next April, the pay of Zeneca's staff will be determined through assessment by local management of individual *performance, ending the* old system of annual across-the-board cost-of-living awards in addition to merit review rises. Union leaders said yesterday that they were shocked by Zeneca's move.

National service could be in place by end of 1997

BBC backs digital TV plan

By Raymond Snoddy

The BBC has decided in principle to push ahead with the launch of digital terrestrial television and a near-national service could begin as early as the autumn of 1997.

A BBC study following tha government white paper on the future of the corporation has come to a positive interim conclusion on digital television.

Terrestrial digital television involves turning the conventional television picture into digits, the language of computers but broadcasting channels over land-based transmitters rather than by satellite.

The technology would allow the launch of wide-screen television – *giving a picture* shaped like a cinema screen – and a number of extra channels.

As many as 12 new digital television channels could be created in the UK and broadcast alongside the conventional four national channels.

No final decisions have been taken, but the BBC believes digital technology will win over existing analogue technology in the end.

A crossover period of between 10 and 15 years is likely, however, when the two systems will have to be broadcast at the same time so that no-one is deprived of their basic television service.

The BBC may carry out its first public technical trial in March and a limited regional trial could get under way in late 1995 or 1996.

The corporation, as a publicly fund organisation, can take the first steps in creating a digital terrestrial service. Executivea emphasise, however, that nothing of substance will happen unless the project is supported by other British broadcasters and by the consumer electronics companies which would manufacture the set-top boxes and new television sets.

Mr Charles Allan, chief executive of both Granada Television and LWT, recently expressed interest in digital terrestrial television and the possibility of creating new channels that it offered.

The BBC has been having talks with consumer electronics companies such as Sony and with representative of the ITV system.

On Monday the BBC will announce that it is going ahead with two 24-hour a day satellite channels for Europe in a joint venture with Pearson, the media and entertainment group that owns the Financial Times.

NEWS: UK

Ireland set for jobs boost from peace process

By John Murray Brown in Dublin

The International Fund for Ireland, set up by the British and Irish governments to promote investment in the depressed economies of Northern Ireland and the border counties, could create up to 20,000 jobs over the next three *or four years, Mr William* McCarter, the fund's chairman, said yesterday.

Mr McCarter, who is managing director of Fruit Of The Loom, the Donegal-based US textile concern, said the opportunities for US led-investment, whether greenfield, joint venture or technology transfer, had "never been better".

Speaking in Dublin yesterday, he predicted that the peace process could provide "surprising levels" of foreign investment in Northern Ireland and the border counties, either taking advantage of the Republic of Ireland's attractive tax regime or locating in Northern Ireland.

The fund, set up in the wake of the Anglo-Irish agreement of 1985 to help stimulate private-sector investment and cross-community business contacts, receives contributions from the US, the European Union, Canada and New Zealand. It has about $250m (£152m) of contributions already committed.

The US announced earlier this month that if Coogress approved, its allocatioo to the fund this year would be doubled to $20m, increasing to $30m for each of the following two years, while the EU now gives about $18m to the fund, said Mr McCarter.

The EU is due to meet in Essen on December 8 and 9 wheo European heads of government are expected to decide on additional support for Northern Ireland.

● Tourism inquiries about Northern Irelaod have more than doubled since the IRA ceasefire, it was disclosed last night. In Belfast, the capital, they soared to 16,000 compared witb 7,000 a year ago.

Worldwide inquiries in October rose from 13,300 to 25,500. At the same time, hotel occupancy rates increased by 5 per cent.

The isolation of Ulster is compounded by its lack of *integration with* the Repnblic of Ireland, says the latest quarterly forecast from the National Institute of Economic and Social Research, Stewart Dalby writes. It says an end to the "Tronbles" could help bring about an integration in *the* vital *areas* of manufacturing and food.

The institute calls into question a perception *that Ulster's* fringe position in the UK could be a deterrent to inward investment, findings transport costs from the province to Berlin and Milan are substantially lower than costs to the same places from Dublin. Costs to New York are 27 per cent less.

The City of London is stepping np security despite the *IRA* ceasefire by spending an extra £1m on closed-circuit security cameras to back the existing street barriers at entry points to the City. This view of the FT building was takeo from within the City's secure area across one of the barriers

Cigarette trade in surplus

By Gillian Tett, *Economics Staff*

Exports to all bnt the wealthiest regions outside the European Union account for almost two-thirds of British output of cigarettes, official trade figures show.

Meanwhile imports account for only about a fiftieth of the total value of the UK cigarette market, hut nearly two-thirds of the total volume of cigarettes sold, indicating that domestic brands are concentrated at the quality end of the UK market.

Although tobacco exports account for only a tenth of the total value of UK cigarette output, they represent more than three-quarters of the volume.

These are the type of statistics that have emerged in a new series of business publications that launched in London yesterday by the government's Central Statistical Office and Taylor Nelson AG, the market research group.

The new data, aimed at businesses, provides detailed information on the import penetration levels of different sectors for the first time for seven years. Import penetration figures used to be issued by the Department of Trade and Industry, bnt were halted in 1987.

The new business series, which collects statutory information from *28,500 businesses* under a recent EU, is harmonised with the trade data, allowing import penetration levels to be calculated for some 4,800 sectors.

The move follows a decision hy the Ceotral Statistical Office to contract the marketing of this industrial data out to Taylor Nelsoo earlier this year.

Although the new data have been welcomed by many businesses, some trade groups have expressed unease about its high cost, with most of the 125 sectoral reports selling for between £65 ($107) and £225.

The reports on sectors will become available over the coming months. Samples of preliminary 1993 data on the tobacco industry were issued yesterday and indicated that the UK is *now running a significant* trade surplus in the cigarette market.

Nine tenths of cigar sales in the UK are home produced, while almost all the pipe tobacco produced is exported.

Land proposals favour businesses

By Simon London

Tbe British governmeot is about to announce proposals for dealing with contaminated land that are expected to minimise the cost to industry of cleaning up polluted sites.

Under tbe plans, to be announced soon, polluted sites will only need to be cleaned to *a standard suitable for their* intended use and not restored to their original, unspoilt state.

For instance land inteoded for use as a car park would not need to be cleaned to the same standard as a site on which a school is to be built.

By setting such a standard, government hopes business will avoid the huge clean-up costs encountered in countries, sucb as the US, which have taken a tougher stance on industrial pollution.

Legislatioo is expected to follow principles in a consultation paper issued in March. It drew fierce criticism from environmental groups but a cautious welcome from businesses.

Municipal authorities will be told to keep records of all significantly polluted sites in their areas. But registration will be based on actual rather than potential contamination. Last year the government dropped controversial plans for public registers of potentially contaminated sites.

UK NEWS DIGEST

750 Airbus jobs to go next year

British Aerospace is to shed 750 jobs next year *at its Airbus plants at Filton in south*-west England and at Broughton in the north-west. In September, Raytheon, the US company which recently bought the BAe executive jet division, announced that it would close the Broughton factory by 1997.

Most of the redundancies announced yesterday will be at Filton, where 550 jobs will go with the completion of a contract *for the con*version of old Vickers VC10 airliners into refuelling tankers for the Royal Air Force.

The Airbus division employs 6,500 at the two plants, but BAe has already reduced the workforce by 900 this year through contracting-out and redundancies.

Traders demand jail term after rampage

The law should be changed to allow the jailing of a boy of 14 who has been arrested near his home in northern England 88 times, local traders said. The boy has been convicted of more than 100 break-ins in the small town of Elland, near Leeds, hut all the offences were committed before he was 14.

The toughest sentence that magistrates could therefore impose was a term of 24 hours at a juvenile attendance sentence to be served in blocks of two hours every other Saturday. A fine was considered inappropriate because his family is on state aid.

The Elland League of Trade Industry and Commerce said the town (population 18,000) had suffered a 144 per cent increase in *burglaries and a 100 per cent increase* in *acts* of damage during the first nine months of the year.

"*The knock-on effect of one young boy's* nights of fun is having serious consequences for the town," said league head Mrs Jackie Rourke. "The government has given us £8m to develop 100 acres of prime land in Elland. Potential investors could create 2,000 jobs here, but then they come and see what's happened to the place, with shops boarded up and shutters everywhere."

Internet used by almost 30% of businesses

Almost 30 per cent of UK b*usinesses* are already connected to the Internet, market research findings sbowed yesterday. The study, conducted by Hi-Tech Marketing on behalf of Pipex, an Internet service provider, was based on responses from 300 companies and other organisations.

More than 95 per cent of those not connected to the Internet, the informal system of computer networks which connects databases and computers across the globe, expect to do so within *the next* 12 months. Among those who are connected, most believe its use as a communications tool outweighs its use as an information service. More than two thirds use the Internet most frequently to send electronic mail – to customers, suppliers and employees elsewhere in a group.

Dutch group buys Polly Peck offshoot

Vestel, the listed Turkish consumer electronics subsidiary in the Polly Peck group, has been sold for an undisclosed sum, administrators to Polly Peck International said yesterday. Vestel was set up by *Mr Asil Nadir's Polly* Peck International group in 1984. The fruit-to-electronics empire failed in 1990.

Proceeds of the sale of the 88 per cent stake in Vestel, which makes colour televisions, will *go to PPI Holdings* BV, an intermediate Dutch holding company. Mr Chris Barlow, lead administrator to PPI and a partner with Coopers & Lybrand, *said: "The proceeds of the sale* will be divisible amongst the three creditor groups of PPI Holdings BV, one of which is ultimately Polly-Peck International." Vestel's new owner is Turkish businessman Mr Ahmet Nazif Zorlu, chairman of Zorlu Holdings, a textile manufacturer with a turnover last year of $300m.

Dürer prints are found during shed clearance

A collection of prints found by a householder clearing a shed had been found to contain two original works by Albrecht Dürer. A collection of music by Mozart in the same trunk had been chewed into pieces by mice and used for building their nests.

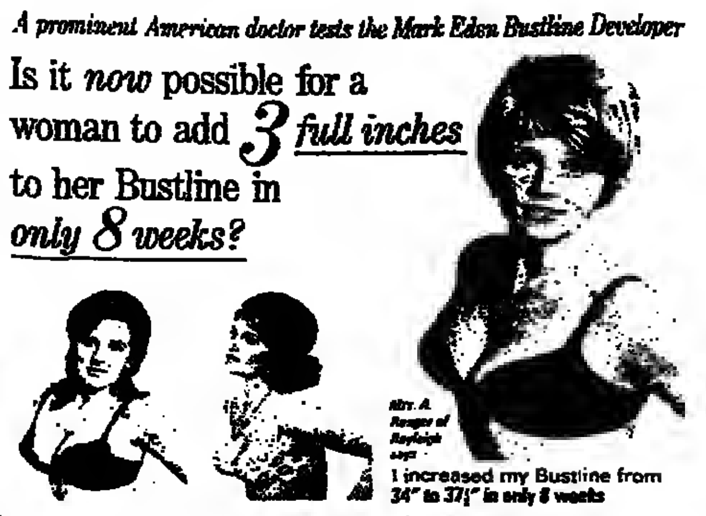
"They had obviously once been someone's much cared for collection," said the householder, who lives about 70km west of London. "I thought they might be worth £1,000 ($1,640) or £2,000." But the collection was later estimated as likely to make £350,000 at auction. Mr Richard Godfrey, a specialist in Old Master prints at Sotheby's in London, said the Durers were the finest woodcuts he had seen for many years. "*In an age when so many prints* have been cleaned and spoiled, the 'benign neglect' suffered by these prints in the trunk has preserved them in an almost perfect condition."

Treasure status is urged for bulldogs

The government should consider declaring the British bulldog a national treasure, says the Kennel Club. It says bulldogs should be protected in the same way as paintings and buildings because of the breed's associations with *the British character.*

In Japan, the Shiba-Inu is classed as a national treasure and has been made an official symbol of the country, the club points out. "The number of bulldogs in Britain has declined quite significantly since before the Second World War and recognising the breed as a national treasure would be a way of ensuring that it never died out," the club adds.

MANAGEMENT: MARKETING AND ADVERTISING



Images from a bygone era: advertisements for the development of the physique are no longer featured as prominently in advertising columns as they once were

Sold on self-regulation

The advertising code gets a new look in January, writes **Diane Summers**

Advertisers in Britain will be able to start the New Year by tearing up the old rule book which governs what they can and cannot say in their copy.

A new version of the detailed codes which underpin non-broadcast advertising's system of self-regulation (television and radio have their own rules) will still require advertisements to be legal, decent, honest and truthful. But from January, the rules which flesh out these principles will be shorter, sharper, and more in tune with the current demands of the marketplace.

This thorough overhaul of the advertising codes will be watched in other countries. Britain's Advertising Standards Authority is playing a leading part in arguing for the principle of self-regulation of advertising throughout the European Union, as well as advising eastern European countries on how to set up their own systems.

The new combined British codes of advertising and sales promotion practice, which until now have been separate documents, will, for the first time, set out rules in two areas where there have been profound changes in public attitudes since the formation of the codes more than 30 years ago: motoring and the environment.

The wording has yet to be approved, but it is likely that the code will outlaw car and fuel advertisements which encourage "anti-social" behaviour or make speed or acceleration claims their main message. Advertisers will be prevented from depicting vehicles in dangerous situations or in a way which would encourage irresponsible driving.

On the environment, terms such as "environmentally friendly" and "wholly biodegradable" will have to be qualified. Advertisers will need to make it clear if there is a division of scientific opinion, or if the evidence for an environmental claim is inconclusive. "Extravagant" language and obscure scientific terms likely to mislead people will also be discouraged.

A third, less material, addition will be the inclusion of a "politically-correct" catch-all phrase. Advertisers will have to take care not to cause offence on the grounds of race, religion, sex, sexual orientation or disability.

The rest of the revision includes simplifying the language and sweeping away defunct clauses. Out, for example, goes a section in the code on "height increase courses" which bans advertisements for the "development of the physique" from suggesting that "thereby, users will become taller". These kinds of advertisement, like miraculous "bust development" courses, are no longer the prominent feature of the advertising columns they once were.

"People were ploughing through quite a number of rules to get to the ones they wanted," says Matti Alderson, ASA director-general explaining a general feeling that much of the code was no longer relevant. "One of the objectives of the review was to emphasise those rules that were most important."

There is some risk that, in the process of simplification and wider definitions, the rules will become too lax in some areas, argues Stephen Locke, director of policy with Consumers' Association, one of the bodies consulted during the year-long examination of the codes.

"On motoring, for example, there's a reference to adverts for cars avoiding any practices that are anti-social. But it's not clear what they mean by anti-social – we'd like to see examples in this kind of area," he says.

CA put forward a number of suggestions for changes in the way the ASA operates, none of which has so far been accepted. Among them was a requirement that the ASA accept telephone complaints – at present these have to be written – and the introduction of tougher sanctions against repeated offenders. CA would like to see a system of fines available for use in extreme circumstances: at the moment the ASA relies chiefly on adverse publicity and help from publishers and the postal service to enforce the code.

But overall, it is in consumers' interests that advertising is regulated by the industry, says Locke: "It's widely seen as a success story. There's no doubt we get more out of self-regulation than we would out of statutory regulation, not least because it can be more flexible and give the benefit of the doubt to complainants – it doesn't have to be legalistic in its approach."

Advertisers are certainly keen to keep the legislators at bay. In a speech on advertising freedoms, due to be delivered at Leeds University tonight, Peter Mitchell, Guinness's strategic affairs director and president of the World Federation of Advertisers, argues that self-regulation "has the ability to be speedy, cost-efficient, effective and available at no charge to the complainant".

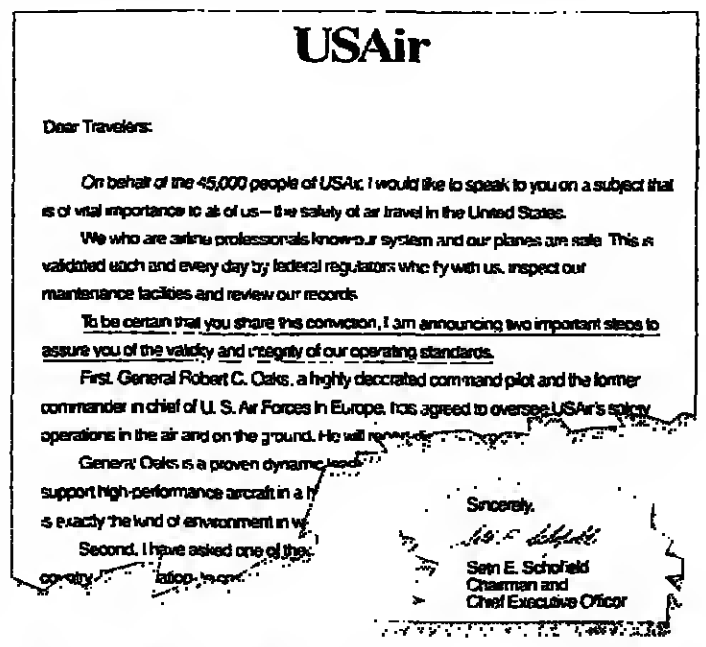
Self-regulation must continue to work well, "otherwise the public perception that advertising is legal, decent, honest and truthful begins to decline" and the pressure for intensified regulation would grow, says Mitchell.

The ASA is convinced that Brussels recognises the value of self-regulation and will, in general, try to avoid imposing centralised, harmonising legislation on the industry. The Brussels-based European Advertising Standards Alliance, which co-ordinates 18 self-regulatory bodies across the EU, plus Austria, Sweden and Switzerland, has stressed to the European Commission that attempts to harmonise would be unwise. Instead, Oliver Gray, EASA director-general, sees "over time a convergence of principles of self-regulation".

The self-regulation message is also spreading east. A joint EASA/ASA team has visited Prague to help set up a council for the self-regulation of advertising in the Czech Republic, and there have also been requests for help in setting up codes from Poland, Slovenia and Latvia, says Gray.

A direct flight to the travelling public

Richard Tomkins on USAir's unusual method of explaining its safety record to passengers



USAir

Dear Travelers:

On behalf of the 45,000 people of USAir, I would like to speak to you on a subject that is of vital importance to all of us – the safety of air travel in the United States.

We who are airline professionals know our system and our planes are safe. This is validated each and every day by federal regulators who fly with us, inspect our maintenance facilities and review our records.

To be certain that you share this conviction, I am announcing two important steps to assure you of the validity and integrity of our operating standards.

First, General Robert C. Oaks, a highly decorated command pilot and the former commander in chief of U. S. Air Forces in Europe, has agreed to oversee USAir's safety operations in the air and on the ground. He will report ...

General Oaks is a proven dynamic lead... support high-performance aircraft in a h... is exactly the kind of environment in w...

Second, I have asked one of the ...

Sincerely,

Seth E. Schofield
Chairman and
Chief Executive Officer

There is probably no subject more sensitive to airlines and their passengers than safety. Usually it is the last thing airlines want to discuss in advertisements: however good their safety records, most carriers have suffered fatal crashes, and the few that have not are reluctant to boast about the achievement for fear of tempting fate.

How, then, to explain the advertising campaign launched this week by USAir, the loss-making US carrier in which British Airways owns a 24.6 per cent stake? In newspapers across the US, and some overseas, the airline has addressed the subject directly, taking full-page advertisements to assure the travelling public that safety is its first consideration.

The danger of such an unusual campaign is that it immediately prompts travellers to ask why it has become necessary. In USAir's case, the answer is clear: the airline has experienced a spate of five fatal air crashes over the last five years, two of them in the last six months. Already bedevilled by acute financial problems, it is now losing business because of deeper customer fears.

USAir's advertisement, framed as an open letter to travellers from Seth Schofield, chairman and chief executive, seeks to reassure passengers by announcing two moves. The airline says it has appointed Gen Robert Oaks, formerly commander in chief of the US Air Forces in Europe, to oversee the safety of all the airline's operations, and says a US consultancy called PRC Aviation has been commissioned to carry out an independent safety audit.

"In closing," Schofield's letter ends, "let me say that we will not rest until each and every member of the flying public shares in the certainty of our commitment to be the safest of airlines."

Richard Weintraub, USAir's senior director of public affairs, acknowledges that the advertising campaign is unconventional, but says the airline is not in a conventional situation. Referring to USAir's fatal accidents in July and September of this year, he says: "There really is very little, if any, precedent for two accidents of this nature occurring in such proximity."

Arguably, the spate of accidents is coincidental. USAir points out that there is no obvious link between the five crashes that have happened since 1989. The Federal Aviation Administration, the US government body responsible for aviation policy, has had USAir under extra scrutiny since 1992 because of earlier accidents and because of the airline's financial difficulties, but says USAir continues to meet the highest standards of safety consistent with the FAA's safety regulations.

In terms of raw statistics, it is true that USAir tops the league table of big US carriers for accidents per 1m flight hours over the last five years. But those figures weigh particularly heavily against USAir because most air crashes happen during take-off or landing, and USAir has more short-haul flights than any other US carrier. In terms of accidents per departure over the last five years, the airline ranks behind Continental and United.

Logic aside, however, it is hardly surprising to find that USAir's business has suffered. Last month, the airline said it reckoned the crashes had cost it \$40m (£24.3m) in revenues in the quarter to September, contributing to net losses of \$180.1m. Weintraub says the airline's latest figures show that year-on-year bookings were up 12.6 per cent in the 10 months to October, but were up only 2.5 per cent in the month of October alone.

Weintraub says USAir has little to lose by running the advertisements because media coverage of the accidents has left few people unaware of them. On the other hand, he says, market research and anecdotal evidence suggest that the barrage of adverse publicity has introduced doubts about safety into the minds of even its most loyal customers, and the advertisements could do some good if they counter that. "It is extraordinarily important that we reach out and share our conviction about what we know to be a certainty, which is that we run a safe airline," Weintraub says.

TECHNOLOGY

Arnold Redhead on why Japan's financial services industry is still struggling with new technology

Slow dawning of electronic risk

In Japan's financial services industry, information technology boffins tend to work in back rooms developing computer systems to help traders and fund managers make the best of a changing investmeot world. Much of their work is a mystery even to their colleagues in the trading rooms.

The pace of technological development has been slower than in the US and Europe, and the pattern of computerised applications has been strongly influenced by Japan's recent boom-bust experiences.

In the early 1980s, Japanese analysts and hrokers relied on paper and intuition to make their decisions in what was a less sophisticated financial environment. Their counterparts in New York and London were already investing in IT. But as investment opportunities in overseas markets have increased, Japan's financial sector has tried to match competitors ahroad.

Nikko Securities, Japan's second largest brokerage, was one of the first into the fray. Its computer model for picking the best-performing stocks, developed jointly with Barra of California in 1986, has become the standard for Japanese equity analysis. Most investment houses still use variants of it.

Its application took off as the stock market hoomed in the 1980s. Brokerages making large profits from index-linked funds saw opportunities in computerised analysis.

"For brokerages, computer modelling and quantitative analysis came to mean index funds," said Hirofumi Yagi, general manager of Nikko's investment technology research department.

Computers virtually ruled tbe trading rooms from 1987. But faith in electronic analysis was undermined when shares tumbled in 1990 and financial houses shifted the application towards risk control.

"Brokerages began to re-evaluate what they used their models for," says Yagi. "We saw that our computer models could be used to control risk."

Now Nikko uses computer tecbniques primarily to measure risk in investment funds, to construct portfolios and for investment in overseas markets.

The company says it is still a long way behind tbe Americans and Europeans, hut it has started to hire graduates with higher degrees in mathematics and physics to boost its 100-strong research operation. Nikko is looking at neural networks and artificial intelligence for asset management and allocation. It is also trying to enhance existing models that analyse the performance of individual stocks.

Japan's life insurance companies have reached similar conclusions on the use of computer models. Life insurers are some of the largest investors in Japanese fioancial markets and most were using computer models for portfolio risk analysis and allocation by the late 1980s.

Asahi Mutual Life Insurance, Japan's third largest insurer with assets of Y10 trillioo (£6.2bn), uses two types of model to support its fund managers. The first is for risk analysis hased on US techniques, and the second is a locally developed product that gives the optimum weights for stock and bonds in domestic portfolios.

The local model took the company around a year to develop, according to Kouicbi Kurata, manager of Asahi's quantitative research division. It uses Sun workstations to crunch data on compsny earnings growth, valuation, historical stock price momentum and P/E ratios to pick equities, and price momentum information for domestic bonds. Kurata rates the model as quite successful, although he says it often underperforms when used on invcstment strategics for periods of less than six months.

Kurata and his five research staff are likely to start work soon on new models for asset allocation and overseas equlties.

Kurata shares the vicw that computer trading modcls were overused in the boom years of the late 1980s.

"There was a lack of understanding of how these things worked at that time," he says. "Now we are learning how to use them properly."

Government concerns also limit the use of advanced IT in Japan. The Ministry of Finance does not forbid the trading of derivatives by law, but it has "guidelines" that deter financial institutions from trading in the more exotic types of product such as equity-linked index swaps. The ministry, the financial industry watchdog, is worried that unregulated trading of derivatives may lead to bankruptcies, and heavy losses for investors.

Japan does not yet hava markets for most of these financial products, but Japanese institutional investors have set up trading operations in London and other offshore centres where they can take part. The result is that most of their best quantitative analysts are working overseas.

Yagi believes the government will eventually allow investment houses to trade in new financial products locally, which may spur investment in software and hardware.

Ashley Ashwood

Fuji's London traders use price simulation models linked to the New York office

How Fuji banks on the personal touch

Fuji Bank, Japan's third largest bank and a hig player in world derivatives markets, is aware of the valne nf computers in the fast-moving environment of swap and option trading.

The company recently bought a Cray mini-snpercomputer for its New York-hased subsidiary's derivatives operations, linking it via a wide-area oetwork to workstations on the desks of its London and Hong Kong traders.

Back at headquarters in Tokyo's Otemachi business district, Fuji's derivatives traders do not yet have the power of a Cray to help them in their decisions. "The pace of these markets is getting so fast that we cannot compete witbont computers," says Yoshiki Takeshima, general manager of Fuji's market risk assessment division.

Fuji's derivatives traders use IBM and Hitachi workstations running price simulation models for yen and dollar interest-rate swaps, futures trading and options developed by programmers in the bank's financial engineering division.

The models use historical pricing data and traders' simnlations of future price movements based on past trading patterns to give a market price for the derivatives the bank offers to corporate clients for bedging purposes. Takeshima stresses that the models are only guides for traders. Althougb Fuji also uses some artificial intelligence, it does not let the compnters trade automatically.

"The trader makes the final call on the price," he says. Japanese investors still prefer their decisions to be made hy a hnman heing, according to Takeshima. Telling investors that advanced technology is calculating the price of a derivative can sometimes actnally kill demand for the prodnct.

Takeshima, a 23-year veteran of Fuji, is charged with making sure the models contain adequate provisions for risk. His department looks over the models and checks that they do not leave the bank overstretched. Value-added risk calculations make the models accurate for most situations, except market panic.

Takeshima sees Fuji being drawn into a spiral of ever greater investment in computing power and software just to stay afloat.

Once Japan's Ministry of Finance lifts rules governing the booking of profits from overseas derivatives trading and allows trading in other financial products, the bank will need more complicated models to stave off competition. "The game will never stop," says Takeshima.

Body shops order CD-Rom parts

Joia Shillingford on a system that makes car repairs easier

Lex Retail, the UK car dealership group, is equipping its 54 body shops with a system for estimating repairs based on a CD-Rom disc database.

The system stores data on 500,000 car parts on a single CD-Rom (read-only-memory) disc, which is played on a drive connected to a personal computer.

Several car-rental companies and insurers, including Guardian Insurance and Royal Insurance, also use the system, called Glassmatix, to help agree estimates more quickly with their approved body shops.

The system, produced and sold by Glass's Information Services, bases repair times on data drawn from a UK research centre in Thatcham, funded by UK insurers. Car-part prices in Glassmatix come from the manufacturers.

Steve O'Brien, UK fleet maintenance manager at Budget, the car rental company, says he wanted estimates based on criteria that were standard in the insurance industry.

At Budget, the damage manager examines a car and decides what new parts are needed. He then passes a barcode wand over the relevant reference in a catalogue. For example, he might swipe the barcode for a new side wing in a 1994 Ford Mondeo. The information is later transferred to the PC.

The PC works out (based on a CD-Rom updated monthly) how much each repair will cost, including parts and labour. It also works out the most efficient order in which to do repairs, keeping labour costs to a minimum.

"We basically tell the bodyshops what we're expecting to pay," says O'Brien. This has contributed to a £1m cut in maintenance costs a year, the company says.

The system also works out when a car is not worth repairing. O'Brien says: "If repairs are going to cost more than 35-40 per cent of the car's value, we replace the car with a new one."

The system means Budget spends less time rummaging through car-part catalogues or phoning suppliers and haggling over repair estimates.

It has also enabled insurers, and other users, to see more clearly the size of mark-up being made by some garages over the retail price of a component. "At first we thought the system was wrong," says Jeremy Seal, chief motor engineer at Guardian Insurance. "Now we're picking up on overcharging, even if it is as small as 1.5 per cent."

Guardian Insurance – part of Guardian Royal Exchange Insurance – is to equip its staff engineers with a portable version of the system so they can send estimates back to the office via the Ram Mobile Data network, the UK mobile data service.

Some insurers, such as Guardian, also plan to use a related product – Glassimage – which enables still or moving video images of damaged vehicles to be sent to the insurer down telephone lines, or over a mobile data network. The software, which compresses the size of each video image, was developed in conjunction with video card company, Videologic.

Users will need a standard video camera, a video card and a modem to take and transmit still or moving images.

The Thomson Corporation, which owns the Mitchell's CD-Rom system in the US (on which Glassmatix is based) invested £6m to help Glass'a develop the UK version of the product. The company says it may have to wait several years for a return. But there is a potential market of 2,500 insurance assessors, the 5,000 biggest bodyshops and principal car dealers and fleet managers.

Subscribing to Glassmatix costs £5,000 a year including paper catalogues, monthly CDs and support, but excluding hardware. Glassimage costs an extra £495 a year.

There are similar products on the market. The best known is Audatex, which is owned by Swiss insurers Swiss Re. Its collision-repair estimating system draws information on parts and labour costs from manufacturers. Audatex is planning to incorporate the insurers' Thatcham data by January.

PEOPLE

Kleinwort Benson poaches from NatWest's investment trust team

Kleinwort Benson Securities has broken up the top team of stockbrokers covering the UK investment industry by poaching the hulk of the sales and marketing staff of NatWest Securities investment trust team.

NatWest Securities' Hamish Buchan, the doyen of the investment trust sector, said yesterday that the first be knew about it was when ten of his staff announced that they were quitting. He admitted that it was a hig hlow when a team walked out *en masse* and was particularly painful because it had coincided with his 50th hirthday.

Buchan, who has headed Extel's list of investment trust analysts for all but one of the past 21 years, said yesterday that hc and Rohin Angus, an equally hig figure in investment trust research, intend to stay at NatWest Securities and rebuild the sales team. "We think we have a fairly strong franchise," says Buchan.

It has been known for some time that Kleinwort Benson Securities has been keen to hreak into the investment trust sector which is dominated by NatWest Securities, along with Smith New Court and S.G. Warburg. Margins tend to be better than in other parts of the equity husiness and there is the added bonus of winning big fees on corporate business.

When Klainwort Benson launched its heavily over-subscribed European Investment Trust earlier this year it had to part with several million pounds of fees to rival brokers. By having its own investment trust sales team it could prevent this happening again and furtber its ambitions to become s hig player in overseas investment trusts.

It is understood that the team defecting to KB is headed hy Robbie Rohertson and Roger Hullett and come from the London end of NatWest Securities' investment trust operation. The best investment trust teams use their research analysts to feed their sales force and it is significant that the two best-known analysts at NatWest Securities have not defected.

■ Vicky Sleddon, 27, who has been managing Kleinwort Benson's new £500m European Privatisation Trust, has heen poached hy Mercury Asset Management to help manage its £575m European Privatisation Trust. The two firms set up their new trusts within a few weeks of each other and to date Mercury has performed slightly better. *William Hall*

"Ten years ago I was a tank commander based in West Germany. If anyone had told me that a decade later I would be swapping vodka toasts with Russian tax officials in St Petersburg, I would hava said they were mad."

Now 36, Stuart Leasor (ahove) hops round east Europe, helping governments spend European Union grants on public relations campaigns to persuade recalcitrant citizens to pay their taxes.

He persuaded the Polish finance ministry that publishing a 100-page guide to the new tax laws for every household was not a great idea – Poland ended up gathering 7 per cent more VAT than it had hoped for; saved 450,000 Ecus by running a successful Bulgarian VAT pr campaign rather more cheaply than anyone imagined possible; and has made sure that all 89 oblasts in Russia now have a tax information office.

His small pr firm – Woodstock Leasor, formed with Sarah Tubbs, formerly of Dewe Rogerson – now has peopls working throughont east Europe; clearly ha thinks prospects are good. He must – he's planning to marry a Kazakh working in Kiev. *Gary Mead*

■ Julian Rivers has been appointed commercial development director of PENTOS; he is succeeded as marketing director of Dillons by Stephen Dunn, formerly marketing director of Thorntons.

■ Rosie Hill-Davis, head of programme planning at Carlton, has been appointed to the same job at BSkyB; Tim Riordan, Carlton Television's director of broadcasting, moves to the same job at BSkyB. Vincent O'Brien, head of presentation at BSkyB, is appointed director of broadcasting at LWT.

■ John Curtis, formerly md of Initial Supplies, has been appointed md of RELIANCE SECURITY SERVICES.

Non-executive directors

■ Joan Bingley, retired company secretary at MAI, at CADOGAN MANAGEMENT.

■ Engene McCarthy at WOODCHESTER INVESTMENTS; Arnaud de Villepin has resigned.

■ Michael Sutton, a director of Singer & Friedlander, at CREIGHTONS NATURALLY.

■ Brian Clayton, chairman of Bridon, as chairman at DSRM, in succession to Derek Mate.

■ Graham Lockwood, retired deputy chairman and group actuary of Eagle Star, at LONDON AND MANCHESTER GROUP.

■ Lord Douro, deputy chairman of Vendome Luxury Group, as chairman of FRAMLINGTON GROUP in succession to Mark St Giles who remains on the board.

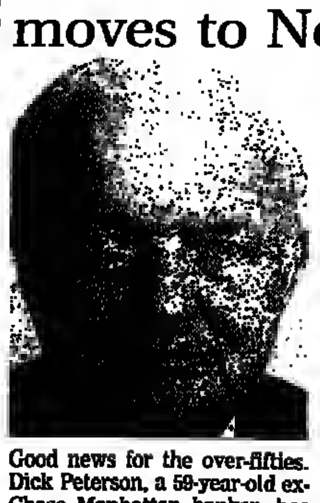
■ Ian Lindsey, a director of Save & Prosper and a member of the Royal Air Force Volunteer Reserve who spent two months assisting public relations in the Gulf war, at NAAFI.

■ John Parnaby, md of the electronics systems businesses in Lucas Industries and chairman of the government's LINK r&d committee, at SCOTTISH POWER.

■ Ross Marks has resigned from ROSS GROUP.

■ Brian Cooper at SILENTNIGHT HOLDINGS.

HSBC's Dick Peterson moves to New York



Good news for the over-fifties. Dick Peterson, a 59-year-old ex-Chase Manhattan banker, has just been appointed chief executive of HSBC Holdings' New York corporate banking business.

In an industry which sometimes seems to worship youth, Peterson has survived longer than many of his contemporaries. He worked for Chase in Los Angeles, London and New York, and joined Midland Bank in 1983 at the behest of Herb Jacobi, another ex-Cbase banker.

Although Midland Bank's US ambitions were cut short by its disastrous acquisition of California's Crocker Bank, and Midland was itself acquired by HSBC in 1992, Peterson opened Midland's hranch in New York in 1983 and has soldiered on when others have opted for early retirement.

Peterson has no plans to do the same because he still enjoys the business. A former colleague at Cbase describes Peterson as a "tremendously experienced guy" who has very good interpersonal skilla, sound judgment and is "very good witb clients". Peterson would be the first to admit that he is not the only banker with 30 years' experience under his belt with these attributes. But he is one of the last to be still climbing the promotion ladder.

His new joh involves integrating the New York corporate banking businesses of Midland and the Hongkong and Shanghai Banking Corporation into a new unit called HSBC Corporate Banking. It will work closely with HSBC's Marine Midland Bank. *William Hall*

■ Richard Kellett-Clarke has been appointed md of AFP-EXTEL NEWS, the joint venture between Agence France-Presse and Extel Financial, part of the FT.

■ Albert Stocker, formerly an md at Swiss Bank Corporation, has been appointed head of EUROPEAN CAPITAL's project finance department.

ARTS

Cinema/**Nigel Andrews**

Yin and Yang of festivals

THE NIGHTMARE BEFORE CHRISTMAS (PG)
Henry Selick

DEAR DIARY (15)
Nanni Moretti

STRAWBERRY AND CHOCOLATE (18)
Tomas Gutierrez Alea and Juan Carlos Tabio

I LOVE TROUBLE (PG)
Charles Shyer

A GOOD MAN IN AFRICA (15)
Bruce Beresford

The Nightmare Before Christmas fills us with terror. Not because it is frightening but because it is so good. Watching it, all our delicate preconceptions about popular movie-making start sliding around like tables on a swell-tossed ocean liner.

We thought that Hollywood never extended itself in the cause of sophisticated anarchy. We also thought that it never fashioned feature-length animated films that catered for adults as much as for children. But this puppet phantasmagoria, with its stop-motion figures and crazed settings plundered from German Expressionism, should delight the over-forties as well as under-fourteens.

We start in Halloweentown, where the rocky landscape is combed and curled like a frozen seascape and where strange-shaped houses (a witches' hat, an octopus) disburse stranger-shaped citizens. The Mayor has a revolving head with two faces: one for beaming at the electorate, one for gnashing covert teeth. The local Mad Scientist is part human, part cyber-duck. And our hero, accompanied by a ghostly flying dog who seems made from origami, is a long-legged, wire-thin dandy called Jack. (Short for Giacometti?)

He is the Pumpkin King. But bored with Halloween, he wanders into the woods one day, stumbles down an Alice-like tunnel and discovers Christmastown. Snow! Colour! Good cheer! He sings a song – the best in the movie, called "What's this?" – and then hurries home to report his delight at finding a new market for trick-or-treatism.

I shall reveal no more: or only to say thet Santa Claus *might* be captured by the Halloweentowners; that Pumpkin Jack *might* take over his beard, red coat and reindeers; and that Christmastown will almost certainly call out the police when shrunken heads start falling down their chimneys and giant toy snakes eat their Christmas trees.

I cannot remember when I last heard the sound of happy, frequent laughter at a Monday morning press show. But a film like this rejuvenates everyone. If we thought that Tim Burton, the producer and original story writer, had grown old with success after *Batman*, here he is returning to the firefly-bright mischiefs of *Beetlejuice*. And director Henry Selick marshalls an animation and special effects crew who must have been high and wild on overtiredness. (A week's work in stop-motion produces about ten seconds of film).

Nightmare is 76 minutes of genuine merriment at the expense of regimented merriment. Christmes is mocked, battered and assaulted: from the Halloweentowners' atonal rendition of "Jingle Bells" (sounding like Schoenberg performed in a morgue) to the scene in which a Santa Claus sleigh is unceremoniously blown from the night sky by anti-reindeer guns.

Anarchic? No doubt. Mean-spirited? Never. The film pushes on, via songs, farce and decorative delirium, to an ending in which Christmas and Halloween are both allowed their pre-eminent places as the great Yin and Yang – or Jekyll and Hyde – of human festivals.

The week gets better. Nanni Moretti's *Dear Diary* is bliss in three parts: an episodic, sumptuously paranoid comedy from the Italian performer/film-maker – here playing himself – who makes Woody Allen seem a well-adjusted extrovert.

In part one our hero, a bearded lankshanks who might have strayed from an El Greco painting, vrooms around Rome on his Vespa, voice-overing his thoughts on life, love and cinema. He lists favourite films (*Flashdance*) and unfavourite ones (*Henry: Portrait Of A Serial Killer*); he fantasises revenge scenarios on film critics; he sobers up for a visit to Pasolini's death-place.

In part two he walks among the Aeolian Islands; where like the homonymous harp he is "played" by the winds of comic happenstance. One running gag concerns a friend eddicted to TV soeps; another (inspired) takes off from the simple notion of children answering phone calls intended for adults.

In part three he becomes a medical guinea pig, as a chronically mis-diagnosed skin itch turns out to be cancer. (He has since recovered.) Here and througbout, Moretti has the courage to let jokes grow unforced. They become coloured with all the irony of quotidian calamity and textured with all the rueful hilarity of everyday frustration and disappointments.

*

Strawberry And Chocolate is a Cuban film about being gay: which earns it points for political nerve to add to those it can claim as a deft comedy of AC/DC manners. Straight David (Vladimir Cruz) meets gay Diego (*Jorge Perugorria*). Diego introduces David to the sensual delight of Scotch whisky, opera records and – unselfishly – his man-hungry neighbour Nancy. David responds slowly and with shell-shocked look.

Between-whiles the two men chatter ebout art, politics and homosexuality. When the director, that veteran movie guerrilla Tomas Gutierrez Alea (*Memories Of Underdevelopment*), fell ill with cancer, Juan Carlos Tablo completed the film. But you cannot see the joins. Senel Paz's screenplay is seamlessly sly and well-observed. And Havana itself winds around the cast like some rococo, affectionate ghost, or one of those playfully omnivorous snakes in *The Nightmare Before Christmas*.

A large snake should have been let loose on both *I Love Trouble* and *A Good Man In Africa*. The first is a stuttering Julia Roberts/Nick Nolte comedy thriller set in the Chicago newspaper world: a place where long raincoats and flying pencils do not automatically turn you into Cary Grant and Rosalind Russell (though a good script might help).

The second film is based on William Boyd's colonialism-spoofing novel. *A Good Man In Africa* – which surely had some wit on the printed page – has been turned into something resembling a village theatricals version of Waugh's *Black Mischief*.

The village in question, though, is the Global Village. America's John Lithgow essays the frightfully British ambassador, Sir Arthur Fanshawe. Australia's Colin Friels attempts the frightfully English junior diplomat Morgan Leafy. And another Australian, Bruce Beresford, fairly frightfully directs.

One moment we are in "Carry on np the cleavage" vein, with Morgan losing his cool and his trousers to every eligible female in view (Joanne Whalley-Kilmer, Diana Rigg). The next moment we are wondering how to deal with the film's one real human being who keeps wandering across the screen. He is Sean Connery as the titular good man, e doctor refusing to be corrupted by African political sleaze.

Connery's presence is so majestic that he exposes aesthetic fraud or triviality merely by standing next to it. The makers of this film should have left the gate open for him to escape the lot on day one. That way their *al fresco* children's party could have continned without the one reproving adult.

Connery has already escaped the *Highlander* saga. Only Christopher Lambert is left heaving the claymores in the tired and excruciating *H3* (15, Andy Morahan). Why not see instead *The Seven Samurai*, Kurosawa's classic swashbuckler revived. Or – it is a busy week – you could catch a small but almost perfectly formed Hong Kong film at the ICA, *Days of Running Wild* (15). Hope, despair and comedy in the 1960s, caught on the wing by director Wong Kar-Wai.

Trick-or-treatism in Christmastown: one of Jack's 'gifts' swallows the festive tree in 'The Nightmare before Christmas'

Concert

Maazel and the Bavarians

Great Orchestras of the World is e hold title for e concert series. It invites questions. The latest visitor to the Barbican was the Bavarian Radio Symphony Orchestra with its music director since last year, Lorin Maazel. The orchestra is well-known from its recordings with two earlier directors, Rafael Kubelik and Sir Colin Davis, as well as its radio concerts broadcast in Britain by the BBC.

Maazel offered two monumental symphonies as calling cards, Mahler's Ninth on Sunday evening and Bruckner's Eighth on Monday. Maazel is certainly a vivid conductor – some would say a bit a flashy. It is hard to ignore his balletic manner on the rostrum, which veers between elegant nonchalance and a limp wrist at one extreme, and exaggerated miming of the expressive effect be wants to achieve at the other. But be certainly got results.

He had the strings seated in a different arrangement from usual, with the violas to his right, cellos facing the audience, and second violins behind the firsts on his left. This produced a good balance and it dramatised the contribution of the violas as well as allowing the cellos a more direct impact. All the strings played marvellously; the violins were warm and silky in the unfolding sighs of Mahler's first movement and superbly controlled, without any ragged attacks or frayed endings in the long, fading farewells of the fourth movement.

In the two middle movements the woodwind players enjoyed themselves visibly as well as audibly, smiling gleefully when the E flat clarinet squealed wildly in the Rondo-Burleske. For all that, the sound as a whole was perhaps too healthy and plump to be quite as sardonic as Mahler intended, and he might have wanted the second movement Ländler to be more clod-hopping and uncouth. Still, as a whole, it was a really committed involving performance.

Bruckner's Eighth Symphony on Monday evening was even finer, and gave no cause for questions about character. The warmth of the woodwind, with notable rapport between principal flute and clarinet, a beautifully focused oboe, the beefy and absolutely reliable brass – all were a joy. And again, those marvellous strings remained disciplined, strong and ardent in the severest test of their stamina.

The eighth has darker, more sinister shadows than Bruckner's preceding symphonies, and its sense of uplift is achieved through sometimes painful dissonances; yet they are rendered as objective natural forces by the immense spaciousness of the design and Bruckner's characteristically abrupt juxtaposition of material. Maazel, conducting from memory, steered with a totally satisfying sense of pace. The work lasted more than ninety minutes yet it never felt protracted: the audience sat rapt. The Bavarians certainly earned their place in this series.

Adrian Jack

Theate/**Alastair Macaulay**

That Woman: a tour de force

"I won't take my shoes off, don't worry," says the eponymous heroine of *That Woman*, a new comedy by John Antrobus. "I don't go in for familiarity."

Is this funny? In itself, not particularly. With that superb character actress Patricia Hayes, however, it is the first great hoot of a memorably hilarious evening. The character she plays – an old eccentric who keeps inviting herself into young Jack's flat, and anywhere else, for a cuppa and biscuits – is the kind of role we seem to have seen Hayes play a hundred times, and yet there is not a jot of staleness in it. Hayes's voice still ranges so easily from chest to head tones, from urgency to tremulousness, and her diction is so good, that by the time she has got to the juicy word "familiarity", slowly savoured, she has us in the palm of her hand.

That Woman is being presented upstairs in Riverside's Studio 3 as if its actors were delivering a BBC radio play, scripts in hand: which is a charming way of ensuring that Hayes herself, who alone seems in need of a script, need not undergo the old actor's nightmare of forgetting her lines. Indeed, since *That Woman* began as a pair of radio plays, *How I Met Franz* and *Rats*, little camouflage is involved.

Antrobus's writing is a perfect vehicle for Hayes's gift for creating monstrous bizarrerie out of her harmless-old-crone facade. (Would that we could hear again the tremendous Sarah Gamp she once created in Radio 4's *Martin Chuzzlewit*.) Her obsession here is that she has been the sexual plaything of the medical profession. By the time she has got to "I don't know when I last had a stethoscope on my chest," convulsions are occurring all round the audience. Yet the role has its pathos ("I want to *talk* to someone"), and eventually its bizarrerie goes beyond humour into purest fantasy.

In the second half, she sets to work on a police inspector. She offers herself as a material witness, but she wants also (a) tea and biscuits, and a proper meal if poss. (b) seduction ("Out comes the truncheon" – spoken with fabulous lasciviousness). Yet her behaviour in the police station is more normal than the story she has to narrate. She tells of her passionate affair with her late lamented: "I was Josephine to his Napoleon, Emma Thomson to his Kenneth Banner" *(sic)*. The late lamented's wife had repressed his artistic talent: "She wouldn't let him express himself in oils." But her he painted: "'Let yourself go into a pose of the southern seas,' be said." What bad she to offer him? "Unendurable pleasure indefinitely prolonged."

I would like to take Hayes's utterance of that last line to a desert island. But, then, she is uproarious in her myriad different weys of saying "Yes, dear," all of them loaded. And she is perfectly complimented by Brian Murphy and Peter Woodward. Murpby, a wonderful study in working-class perturbation, is a fine comic actor who is the more funny for giving every attention to Hayes and his co-actors; Woodward, with his striking presence, anchors the first half by playing the innocent deadpan dupe to this eged visitation. Philip Grout directs. On press night, the cast seemed scarcely able to suppress their own giggles. And we who watched gave our laughter full vent.

At the Riverside Studios, W6.

St Cecilia's Day celebrated

Three centuries ago the Stationers' Hall, around the corner from St. Paul's in Ave Maria Lane, used to promote celebrations of St. Cecilia's Day – November 22 – with music and hanqueting. A stained glass window in their fine 17th-century hall depicts that patron saint of music.

A few years back some stationer, or anyhow some member of The Worshipful Company of Stationers and Newspaper Makers, must have remembered the old custom. Since 1992 there have been St. Cecilia-Tide concerts again, with banquets; next year there will be a five-day mini-festival (sponsored by the FT, as it happens).

These days, the obvious thing to put into a 17th-century hall is a period-instrument band. The Stationers' Hall has the Fiori Musicali, a baroque ensemble (with chorus) founded by their conductor Penelope Rapson. On Tuesday they gave thoroughly attractive performances of Purcell's Funeral Music for Queen Mary, and Bach's *Magnificat* in D and his A minor concerto for violin.

The soloist in the latter was their leader Peter Fender: properly e *primus inter pares*, not e commanding voice (baroque violin-technique hardly permits of domineering brilliance), but notably subtle in his florid Andante excursions. In the great Funeral Music the preludial and concluding marches and canzonas went to sackbuts and "flatt trumpets", with processing mourning-drums, to imposing effect, and the chorus enunciated the "Funeral Sentences" – early Purcell anthems, in fact: nobody knows whether they were part of the original package – with lucid eloquence.

Later, we admired Dr Rapson's unhesitating dispatch in the Bach *Magnificat*. It emphasised the continuity of the Marian text through the dozen different numbers, whilst giving full value to their differences in weight, colour and address (public *v.* private). Her tempi were generally quick, vital and nicely hraced; her solo singers rose confidently to all their occasions.

Kate Eckersley was a poised, intelligent soprano, hut the stand-out number was the "Et misericordia" duet for countertenor and tenor (Nicholas Clapton and Nicholas Hurndall Smith). Together, their contrasted timbres – the one reedy, cultured and elevated, the other warm and slightly baritonal – made a magical amalgam, strange but quite beautiful.

David Murray

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INTERNATIONAL ARTS GUIDE

■ PARIS

OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● La Dame de Pique: opera by Tchaikovsky. Director Valery Gergiev at 7.30 pm; Nov 25, 26, 27; Dec 1,2
● La Khovantchina: opera by Mussorgsky at 7.30 pm; Nov 29, 30; Dec 3, 4

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030)3 41 92 49
● Dialogues des Carmélites: by Poulenc, in three parts. A new production directed by Günter Krämer at 7.30 pm; Nov 25, 29; Dec 1
● Fidelio: by Beethoven. Conductor Jiři Kout at 7.30 pm; Nov 24
● The Magic Flute: by Mozart. Conductor Foster/Lang-Lessing/Soltesz at 7 pm; Nov 26 (6 pm), 30

■ BONN

OPERA/BALLET
Oper Der Stadt Tel: (228) 7281
● Il Guarany: by Antonio Gomes, in Italian with German surtitles. Conductor John Neschling, production by Werner Herzog at 8 pm; Nov 30
● La Fanciulla del West: by Puccini, in Italian with German surtitles. Conductor Eugene Kohn, production by Gian-Carlo del Monaco at 7 pm; Dec 2 (8 pm)
● La Traviata: by Verdi. A new production conducted by Eugene Kohn, with production by Jürgen Rose. In Italian with German surtitles at 8 pm; Nov 26 (7 pm) ; Dec 4 (7 pm)
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced and choreographed by Youri Vámos, conductor Michel Sasson at 7 pm; Nov 27; Dec 1 (8 pm) , 3

■ ROME

THEATRE
Teatro Dell' Opera Tel: (06) 481601
● L'Arlesiana: by Bizet at 7 pm; Nov 25, 26, 27

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Bernard Haitink conducts the Concertgebouw orchestra with soloists Charlotte Margiono and Jard van Nes to perform Mahler at 8.15 pm; Nov 24
GALLERIES
Rijksmuseum Tel: 020 673 21 21
● Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period; from Nov 26 to Feb 26 (Not Sun)
OPERA/BALLET
Het Muziektheater Tel:(020)551 89 22
● Rosa: new production of the opera by Andriessen. Directed by Peter Greenaway et 8 pm: Nov 25, 28

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Gale Concert: London Symphony Orchestra with mezzo-soprano Marilyn Horne and conducted by Marvin Hamlish. Includes Hamlisch's, 'The Anatomy of Peace' at 7.30 pm; Dec 1
● Grand Operatic Evening: National Symphony Orchestra with soprano Susan McCulloch under the direction of Martin Merry perform a variety of operatic pieces at 7.30 pm; Dec 3
● Mozart: Idomeneo: Sir Colin Davis conducts tha London Symphony Orchestra at 7 pm; Nov 25, 27
Festival Hall *Tel: (071) 928 8800*
● Russia Old and New: Royal Philharmonic Orchestra with tha Brighton Festival Chorus, London Choral Society and conductor Vladimir Ashkenazy perform Schnittke, Prokofiev and Rachmaninov at 7.30 pm; Dec 5
Garrick Tel: (071) 494 5085
● Koninklijk Concertgebouworkest: with pianist Evgeny Kissin and conducted by Sir Georg Solti, play Beethoven, Bartok and Kodály at 2.30 p.m.; Nov 26, 29; Dec 2
GALLERIES
Barbican Tel: (071) 638 8891
● A Bitter Truth: a multi-media exploration of changes in attitudes towarda World War 1 throughout its duration; to Dec 11
Hayward Tel: (071) 281 0127
● Romantic Spirit in German Art 1790-1990: axamines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
National Gallery Tel:(071)839 3321
● Allegory: selection of paintings from the permanent collection on the theme of allegory; to Dec 4 (Not Sun)
Royal Academy Tel:(071) 439 7438
● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14
OPERA/BALLET
Barbican Tel: (071) 638 8891
● The Kirov Opera: director Valery Gergiev brings his entire company to the UK for just one night to give the first complete British performance of Rimsky-Korsakov's opera, The Legend of the Invisible City of Kitezh at 7 pm; Nov 28
English National Opera Tel: (071) 632 8300
● Anadne on Naxos: by Strauss. A Graham Vick production et 7.30 pm; Nov 25; Dec 1
● Khovanshchina: new production of Mussorgsky'e opera. Director Francesea Zambello at 6.30 pm; Nov 24, 30; Dec 3
Royal Opera House Tel: 071 240 1200
● An Ashton Celebration: The Royal Ballet Company pays tribute to its founder choreographer, who would have been 90 this year, with e short festival of his work consisting of 12 ballets and divertissements. Performance includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 28, 30
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Nov 25, 29; Dec 2, 5
● Mixed Programme: includes the World Premiere of Michael Clark's New Clarke Ballet, Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1
● Tha Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Marie Bjornson at 7.30 pm; Nov 26 (2 pm) ; Dec 3 (2 pm)
THEATRE
Gielgud Tel: (071) 494 5065
● Hamlet: by Shakespeare. Directed by Peter Hall, designed by Lucy Hall. With Stephan Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun)
National, Olivier Tel: (071) 928 2252
● The Seagull: by Chekhov, in a new version by Pam Gems. Sat mat at 2pm at 7.15 pm; Nov 24, 25, 26

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Nov 25, 28; Dec 2
● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm; Nov 26, 30; Dec 3
● Madama Butterfly: by Puccini at 8 pm; Dec 1, 5
● Rigolatto: Italian opera by Verdi at 8 pm; Nov 26, 29; Dec 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)
THEATRE
Walter Kerr Tel: (212)239 6200
● Angels in America: Tony Kushner'a Tony-award winning pley. Sun mat at 3pm. Wed., Thurs., Sat. at 8 pm; to Dec 4

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● Los Angeles Philharmonic: Conducted by Esa-Pekka Salonen, with pianist Ollie Mustonen play Lutoslawski, Ravel and Sibelius at 5 pm; Nov 26
GALLERIES
Phillips Collection Tel:(202) 387 2151
● Pictographs of Adolph Gottlieb: exhibition of ona of the founding members of the New York School; to Jan 2
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● Le Nozze di Figaro: by Mozart sung in Italian with English sur-titles at 8 pm; Nov 25, 27
Washington Opera Tel:(202) 416 7800
● Faust: by Gounod. Director, Ellen Douglas Schlaefer, conductor, Richard Bradshaw. Faust played by Jianyi Zhang. In French with English surtitles. at 7 pm; Nov 26

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FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Bell ringers for a bright future

BOOK REVIEW

THE BELL CURVE: Intelligence and Class Structure in American Life
By Richard Herrnstein and Charles Murray
The Free Press. 845 pages, £25/$30

The Bell Curve deserves attention not because it revives dubious claims about large ethnic differences in intelligence, but because it makes a plausible case that individual brain power or "cognitive ability" is a far more important determinant of economic and social success than hitherto recognised. This is a "big idea" that, if correct, is likely to exert considerable influence on public policy in coming decades. Sceptics should note that Charles Murray, an early critic of welfare spending, has unusually sensitive intellectual antennae.

Murray and his co-author, the late Richard Herrnstein, a Harvard psychologist, argue that variations in IQ help explain many puzzling social phenomena. They believe incomes are growing more unequal, even for people with similar qualifications, in part because economic competition is forcing employers to reward personal productivity, which depends largely on IQ.

Low intelligence, meanwhile, appears to be closely correlated with nearly all social problems, including poverty, illegitimate births, school drop-outs, welfare dependency, divorce and crime. To give one example, the proportion of American whites below the poverty line is 30 per cent for the "very dull" (IQs below 75) against 2 per cent for the "very bright" (IQs above 125).

The point the authors drive home repeatedly is that IQ has become a much more important determinant of an individual's life chances than the socio-economic class of the parents – the factor that most researchers tend to emphasise. Thus a bright child from a poor background has a much better chance of graduating from college than a dull child from a privileged background.

Intelligence was once fairly evenly distributed throughout society; most high IQ individuals were neither well-educated nor rich because arbitrary economic and social barriers prevented their advancement. Ironically, say Murray and Herrnstein, progress toward the liberal goal of genuine equality of opportunity is causing a pernicious new form of social stratification – an aristocracy of the intellect. To a far greater extent than before, the very bright are monopolising elite universities and hogging the best jobs in "high IQ" fields, such as investment banking, law, medicine and the higher reaches of public policy, academia and the media. These *meritocrats* tend to be segregated from the rest of society – financially, culturally and even physically (via private security guards).

You may object that this puts a ridiculous emphasis on IQ; surely many other qualities such as perseverance, integrity and sociability also influence personal performance. The authors dub this the "compensating skills fallacy": these other qualities are important but people with high IQs are no less likely to possess them than the less able, they say. Superior cognitive ability thus becomes the determining advantage; hence its power as a predictor of performance.

The book invites criticism on many grounds. The argument about social stratification by IQ, for example, is supported *mainly by anecdotal evidence*; the authors do not establish a strong statistical correlation between IQ and earnings.

And since the authors believe such stratification could undermine civil society, it is curious that they urge a shift of educational resources towards gifted children; their analysis surely suggests that it is the less able who need more help. *The notion that low IQ is* the most important cause of social problems also sits oddly with the experience of the past 30 years: crime, welfare dependency and illegitimacy have mushroomed, yet measured IQ has risen over this period, especially at the bottom end.

More controversial is their incendiary claim that the gap between the average IQ of US whites and blacks is *not only* large but unlikely to contract much in the foreseeable future. They need this finding to justify their impassioned critique of "affirmative action" policies to help minorities. If you allow for ethnic differences in IQ, they claim, many of the alleged signs of discrimination against blacks disappear or are reversed. Holding IQ constant, blacks earn nearly as much as whites and are more likely to graduate from college and enter elite professions. Blacks only seem to be discriminated against because, as a group, they have low IQs.

Yet Murray and Herrnstein admit that environmental factors account for 40-60 per cent of differences in IQ. Blacks are certainly less socio-economically privileged than whites, so a substantial (but maybe temporary) measured IQ differential is to be expected.

Moreover IQ is itself a rather fuzzy concept: the authors note that average IQs may have risen as much as 15 points in just two generations (a phenomenon known as the "Flynn" effect). The only credible explanation is an improved environment: for example better education and nutrition, especially for the poor. Again the implication is that black and white IQs will tend to converge as environmental differences are reduced – a trend perhaps already evident in school test results. In the long run, colour-blind social policies are desirable: individuals should be judged as individuals, *not as members of ethnic* groups. But if IQ differentials mainly reflect disparities in environment rather than innate differences, short-term biases in favour of certain groups are not so illogical.

The authors deserve great credit for attempting to smash what has become a ridiculous taboo on open discussion of IQ differences – and for making a *complex argument lucid. They* may be exaggerating the significance of IQ, but we will not know for sure until other researchers follow their lead into forbidden territory. My guess is that *The Bell Curve* will trigger an avalanche of research into the social and economic consequences of IQ variations.

Michael Prowse

ECONOMIC VIEWPOINT

The outlook for the Budget is 'brill'

By Samuel Brittan

The UK chancellor, Kenneth Clarke, seems to have been born under a lucky star. For it is difficult to remember when the economic and budgetary outlook seemed better or when mainstream economists have looked more uncomfortable. The real hero of the hour is, however, our old friend "self-correcting economic forces".

The new *National Institute Economic Review* is disarmingly frank about how conventional expectations have been confounded:

- The rate of increase of wages and prices has remained low despite the 1992 post-ERM devaluation.
- The current balance of payments has improved despite a recovery in domestic demand faster in the UK than in its main trading partners. Indeed, as cautious an economist as Andrew Sentance asks in the rival *London Business Economic Outlook*: "Is the UK current account moving into surplus?" It probably is in surplus already if overseas assets are valued properly.
- Consumer spending continues to rise despite the tax increases announced in two 1993 Budgets, some of which have still to come into effect.
- Unemployment continues to fall despite the earlier conventional view that "even" resumed economic growth would not make a dent in it.

The NIESR cautions us against assuming another economic miracle, but does so for interesting reasons. It suggests that the pressure of demand in both goods and labour markets "may have a more marked effect on wage and price setting than we had realised". You can say that again. The *improvement in trade performance* is rightly said to date back to the 1980s. But the recent narrowing of the trade gap has taken place despite favourable movements in the terms of trade – the opposite of what is supposed to happen after devaluation.

Cynical readers should note that it is not the tradition of political economy from Adam Smith onwards that has been discomforted; nor has the subsequent analysis of the main causes of both market and government failure. The discomfort has been felt at two extremes – the mainstream short-term economic modellers and those who believe financial markets are always right.

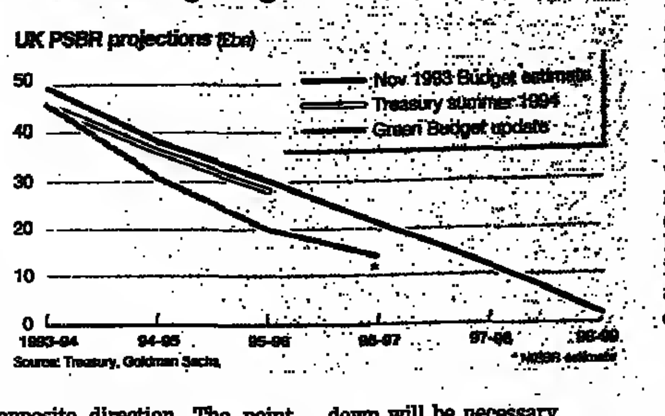
If the economic prospect is good, the budgetary outlook is "brill" (upper-class female shorthand for brilliant). It is only a year and a half ago that the £50bn UK public sector borrowing requirement, originally estimated for 1993-94, was the one economic number everybody knew. Indeed, it was thrown at one by the most surprising people and quite often soon followed by demands that more should be done to stimulate the economy.

The £50bn figure always seemed an exaggeration, and has now been revised down to £46bn. The Treasury projection of a contracting deficit all but disappearing near the end of the decade was almost universally derided. Yet the latest projections show the deficit has been contracting ahead of schedule. Borrowing in 1994-95 is turning out at little more than £30bn, and at £20bn in 1995-96, according to updated Green Budget projections.

Goldman Sachs, which originally made the projections for the Green Budget in October, has since revised downwards by £8bn its projection of next year's public sector spending. For it now believes that the chancellor will try to get the full benefits of lower-than-expected inflation in a cut of £6bn in the public spending control total and that there *will be further savings* in cyclical social security spending and in debt interest.

We can then expect a learned and inconclusive debate about whether the chancellor has tightened fiscal policy and can thus afford to pause before raising interest rates again, or whether the Exchequer finances are simply benefiting from the economic upturn. *Hoare Govett has made* an illuminating analysis of the improvements in the fiscal outlook over the three years between 1993 and 1996, estimated at 4½ percentage points of gross domestic product. Business cycle factors are said to account for 2¼ percentage points, pre-announced tax increases for 2¼ points and tighter spending control for a *further 1¼ points. Falling asset* sales are an influence in the opposite direction. The point, however, is that tighter fiscal policies are *already* in place. The chancellor will mainly allow events to take their course and introduce a so-called neutral Budget.

The vanishing budget deficit

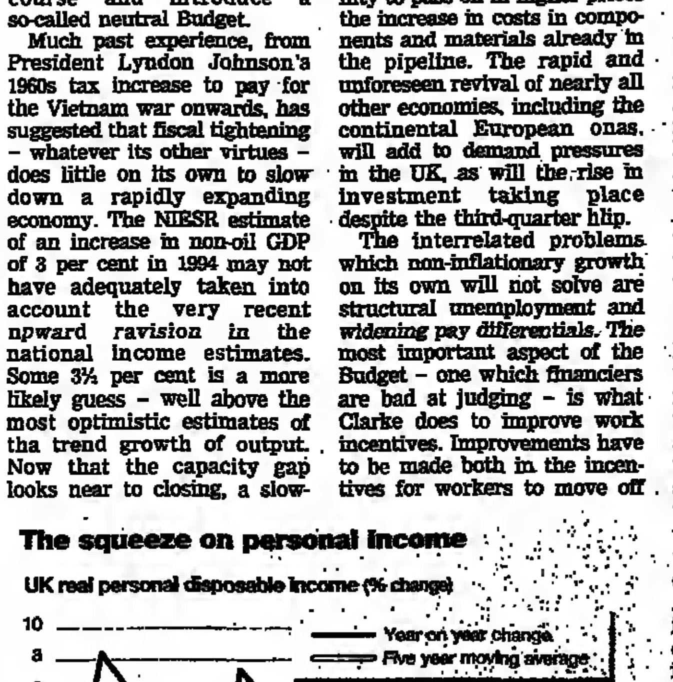


Much past experience, from President Lyndon Johnson's 1960s tax increase to pay for the Vietnam war onwards, has suggested that fiscal tightening – whatever its other virtues – does little on its own to slow down a rapidly expanding economy. The NIESR estimate of an increase in non-oil GDP of 3 per cent in 1994 may not have adequately taken into account the very recent upward revision in the national income estimates. Some 3¾ per cent is a more likely guess – well above the most optimistic estimates of the trend growth of output. Now that the capacity gap looks near to closing, a slow-down will be necessary.

The argument from growth and capacity estimates is clinched by the signs that business is looking for an opportunity to pass on in higher prices the increase in costs in components and materials already in the pipeline. The rapid and unforeseen revival of nearly all other economies, including the continental European ones, will add to demand pressures in the UK, as will the rise in investment taking place despite the third-quarter blip.

The interrelated problems which non-inflationary growth on its own will not solve are structural unemployment and *widening pay differentials*. The most important aspect of the Budget – one which financiers are bad at judging – is what Clarke does to improve work incentives. Improvements have to be made both in the incentives for workers to move off the dole and for employers to offer jobs to less skilled workers. These problems were analysed by Stephanie Flanders in yesterday's FT. The distinctions that need to be made are between kick-start changes, such as relieving newly employed workers from National Insurance and/or income tax for a limited period and more permanent top-up payments which continue as long as needed.

The squeeze on personal income



Meanwhile the puzzle remains why the economic upturn still leaves so much of the electorate in such a sour mood. A brave attempt at an answer has been made by Peter Spencer and John Curtice in a Kleinwort Benson paper. They themselves identify the missing ingredients as the absence of increases in working hours normally experienced at this stage of recovery, saying that higher demand has been met from productivity instead. They believe this absence makes workers insecure about their jobs.

It is a brave try, but unconvincing and old-fashioned. Paid overtime is largely a blue collar phenomenon. Fears over job security are felt much more widely among white collar and professional workers. There is, however, a traditional type of economic explanation to hand. This is that real disposable income has been under pressure for several years. It stagnated during the recession and has now fallen again, against a long-term upward trend of 2.7 per cent per annum.

The fall in real disposable income is partly the mirror image of the shift of resources into exports and investment for which economists have been crying out for decades. But it is also a mirror image of the increase in the tax burden imposed to improve government finances. Consumer spending is still doing pretty well, but at the expense of a steeply falling savings ratio, which averaged 12¼ per cent in 1992-93 and is expected by the NIESR to fall to 8¼ per cent next year.

Increased spending financed from reduced saving no doubt does not feel as good as increased spending financed by higher real post-tax incomes. But there are clearly more deep-seated factors, such as the trend away from "jobs for life" which is being experienced in all countries. Solutions will not be found in traditional party political 10-point programmes which imply that all change must come from government.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Plan offers no renaissance for Florence

From Eva Buiatti.

Sir, We read your article, "David and the car Goliath" (October 31) on the new urban plan for Florence, with great interest. However, we take a different view on a number of points.

First, the Franchini-Vittorini urban plan is not based on "mixed development" principles. For instance, the 1.86m square metre Fondiaria area – very large by our standards and currently empty – will be become an extended dormitory containing 2.2m cubic metres of new buildings. Originally, a large park was planned here, in a town in which open and green spaces are as precious as historical monuments.

Second, the so-called Fiat-Novoli plan has been made possible by the demolition of the Fiat factory – again, this is at odds with the mixed development concept.

Further, the Fiat-Novoli project offers no solution to the traffic and mobility problem, while it adds thousands of inhabitants – plus cars – to a heavily polluted area. A total of 6m cubic metres of new buildings, mostly apartments/houses, are planned in a town where the population is falling and where there are 18,000 empty flats.

Florence is strangled by traffic, but the new plan offers no solution in terms of streets, public transportation, even underground car parking. And there is bad news for tourists – the Michelucci-designed railway station is to be demolished and replaced by the badly served Campo di Marte station on the periphery. Nobody coming into Florence by train will again have the cupola by Brunelleschi as their first view of the city.

The plan will cause disruption for 10 to 15 years. Why? Because the Florence administration accepted in the plan the Italian Railways high-speed project. This will cost some £600m, merely to allow 10 per cent of train passengers to save 20 minutes on the Florence to Rome journey and 40 minutes between Milan and Florence.

It is hard to believe that Florence will achieve a second renaissance as a result of Dr *Franchini's* project. Many intellectuals, environmentalists, political groups in tha town council, and many citizens, oppose it.

Eva Buiatti,
"Lavori in Corso" town council group,
Florence,
Italy

Solvency of pensions is a decision for government

From Mr P N Thornton.

Sir, Norma Cohen's article, "Actuaries attack plan on pension solvency standards" (November 18), and Lex ("Solvency standards", November 21) refer to the proposed minimum solvency requirement (MSR) which will be introduced in this year's pensions bill. The articles rightly identify a debate which has gone on since the Goode Committee published its report, on the basis for the MSR and, in particular, the extent to which equity returns are reflected in it.

The fundamental issue at stake is the choice between *two definitions of* a minimum solvency requirement. One is an MSR which provides a very high degree of security for the members' benefits covered. This implies a relatively high proportion of gilts and, for some schemes, could have potentially costly implications, as in a significant number of cases they will need either to increase funding targets or adjust the investment strategy which they would otherwise have followed, or both.

The other is an MSR which includes a more significant equity element. This will cause fewer problems for schemes, but somewhat less certainty about the benefits being secured for the members has to be accepted.

It is about this choice that there has been so much debate within the actuarial profession. This debate has been lively, but I am glad to say not acrimonious. We have worked closely with the government officials concerned to investigate the alternatives, but in *the end we have made* it clear that we believe the job of striking the right balance is one for government and not for the actuarial profession.

P N Thornton,
chairman pensions board,
Institute of Actuaries,
Faculty of Actuaries,
Staple Inn Hall,
High Holborn,
London WC1V 7QJ

Arguments in support of boxing not substantiated

From Dr Fleur Fisher.

Sir, Nigel Spivey's article, "Punch drunk and proud" (November 19/20), rehashes the over-used and unsubstantiated arguments in favour of boxing. His view reflects the current attitude of many of boxing's supporters.

With the evidence for chronic and acute damage in professional and amateur boxers increasing by the year, it is difficult for supporters to claim no damage is occurring. Boxing supporters therefore turn to their back-up arguments regarding the benefits of boxing for young boys and to the relative dangers of other sporting activities.

Boxers must be sick and tired of being told that, if they were not boxing, they would be unable to overcome "their disadvantages". The situation for young people in inner cities is of great concern to doctors, but the BMA would recommend improvements in housing, unemployment, education and leisure facilities rather than promoting an activity which leads to chronic brain injury and life-long suffering.

As for comparisons with the dangers of other sports, the data are not beyond question. The one distinguishing feature of boxing is that there are no accidental injuries; each blow is a legitimate and intentional part of the sport. If all the incidences of significant blows to the head were recorded as injuries in boxing, as they are in other sports, the data would without doubt reveal that boxing is a uniquely dangerous activity.

Let us hope that the armed forces give this new scientific evidence the respect it deserves, rather than casting it aside in favour of unsubstantiated claims about boxing's character building and disciplining effects.

Fleur Fisher,
head of ethics,
Science and Information Division,
British Medical Association,
BMA House,
Tavistock Square,
London WC1H 9JP

Cheers for a tight quango

From Mr T W R White.

Sir, Re your article, "Labour attacks ministers over spending on wine" (November 21), is Mr Alan Milburn, the Labour MP, a teetotaller?

I am sure the Labour party serves wine at its official gatherings and I would have thought Sir Ewen Fergusson, head of the government hospitality fund advisory committee for the purchase of wine, should be congratulated for providing wine at an average of £5.26 a bottle. He also seems to run a tight quango if it only costs £1,500 a year to run.

T W R White,
48 Somerset Way,
Richings Park,
Iver, Bucks SL0 9AF

An offer they could not refuse

From Mr R T D Wilmot.

Sir, It is not surprising that the Isles of Scilly top the school league table of 108 local authorities ("Exam results improving, league tables show", November 22), as Scillonians enjoyed tha benefits of compulsory education years before the mainland. This was due to the foresight of that benevolent autocrat, Augustus Smith, who charged Scillonians a penny a week for attendance but tuppence if they played truant. Is there a lesson here?

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The markets out of sorts

This week's giddy slide on Wall Street, whicb has precipitated sharp falls in stock markets around the world, was surprising chiefly for its late arrival. US equities have long looked fully valued and their resistance to the pull of rising bond yields over the past 12 months had all the appearance of financial levitation. That impression was reinforced by equity investors' insouciant response to the tightening of US monetary policy since February. Whatever happens in the sbort run, it is hard to believe that stock prices can return to peak levels in a burry. The more pressing question is whether tbe slide will accelerete.

The starting point for any assessment must be the peculiarity of an economic cycle in which securities markets bave been heavily distorted by the efforts of the US Federal Reserve to prevent a debt crisis turning into a credit crunch. The means employed by the Fed to achieve this end was to maintain a steep yield curve: short-term interest rates were kept low for an abnormally long period relative to bond rates. Banks were thereby encouraged to borrow cheaply to invest in higher yielding government IOUs. The resulting profits helped restore their capital base, permitting tbem to finance the economic recovery.

Mutual funds

The strength of the recovery is a measure of the success of the Fed's earlier policy. Yet one important consequence of that policy was that savers removed money from low-yielding bank deposit accounts and certificates of deposits, and put them into bond and equity mutual funds, which offered either a higher income or the prospect of capital growth. By last year the mutual fund industry had acquired $670bn of equities and $760bn of bonds, in addition to its money market fund holdings of $580bn. Together these funds of nearly $2,000bn were equivalent to about 85 per cent of all US bank deposits, against only 10 per cent in the early 1980s.

The bond market collapse which followed the Fed's decision to start tightening policy in February has already caused the flow of money into bond mutual funds to dry up. The flow into equities has so far merely slowed down. Yet the recent successive rises in US sbort-term rates point towards lower equity valuations and a shift of mutual fund equity money back into bonds and deposits.

Botb in the US and across the world, economic recovery bas proved far stronger this year than most forecasters expected. That is one reason wby bond markets bave worried about resurgent inflation and a rising cost of capital, and wby the Fed has been forced to take remedial action. The price to be paid for pre-empting a further outbreak of inflation is a more pedestrian growtb rate next year. Corporate profits will inevitably take a knock.

Gloomy story

Tbe best reason for tbinking thet the present correction is not the end of tbe gloomy story is the current pattern of returns in the financial markets. The Dow Jones Industrial Average has been yielding less than 3 per cent while two-year government paper offers well over 7 per cent, and 10-year bonds offer nearly 8 per cent. The inflation-adjusted real rate of interest is exceptionally high by historic standards. Its attractions for investors are bolstered by Fed policy, whicb tbe futures markets expect to become tougher still. Meantime money is flowing back into bank deposits. The distortions wrought by the excessive accumulation of debt in the 1980s are beginning to unwind.

The process nonetheless has a long way to go. For the rest of the world's markets, that points to an unstable climate for equities, since they cannot escape some backwash from Wall Street, even if their domestic economies are at an earlier stage in the recovery cycle. Yet the fall in prices could still prove beneficial if it helps free a flow of international capital that has been disrupted by the weakness of the dollar.

Having lost billions on dollar bond holdings since the mid-1980s, Japanese investors have been dollar shy. Their absence from US Treasury bonds has contributed to bigber real long-term interest rates. The fall in bond and equity prices on Wall Street does at least help restore the competitiveness of US assets by making them look cheaper to international investors, paving the way for the much needed stabilisation of the dollar.

Allies of circumstance

This week's air raids on Serb positions in Bosnia and Croatia, involving dozens of aircraft from at least four nations, have at least in technical terms been a spectacular demonstration of Nato's ability to marshal and co-ordinate the use of force. It has taken 45 years, billions of dollars, and great firmness of will to refine the procedures by which, for example, US command systems can guide the activities of UK aircraft carriers or Dutch bombers based in Italy.

Yet Nato is getting its first chance to show off these hard-won skills at the very moment when the transatlantic solidarity on which it is based is being questioned on both sides of the ocean. Precisely because Nato succeeded so well in the purpose for which it was formed – facing down the Soviet bloc – it is going through a profound existential crisis, of which the latest arguments over Bosnia are only a symptom.

The role of aerial policeman in Bosnia is one that fell into Nato's lap and does not suit the alliance particularly well. It leaves unresolved the longer-term question of what, if anything, the alliance is for.

In the five years since the Berlin Wall came down, most debate abont Nato'a future bas been couched in euphemistic terms which underestimate the seriousness of the problem. Commentators speak of new models for "burden-sharing", and of Europe "taking more responsibility for its own defence" – as if the general nature of these burdens and reaponsibilities were perfectly clear, and the only outstanding question was how precisely to allocate them.

Regional challenges

Such clarity of purposa did broadly exist during the Cold War, when the Soviet threat was manifested on so many fronts that the common interest in confronting it scarcely needed to be discussed. Today, however, there is no overriding challenge which simultaneously, and in roughly equal measure, threatens North America, western Europe and Turkey; instead there is a host of regional challenges which affect different countries to a widely differing extent.

For obvious reasons, the possibility of an extremist regime in North Africa acquiring ballistic missiles is something that haunts Spain and Italy far more vividly than it troubles Norway or Canada. Non-communist Russia remains an uncomfortable neighbour for Norway, and a tough regional rival for Turkey; but in the absence of any global east-west confrontation, both Oslo and Ankara are finding it much harder than before to win understanding of these concerns from their Nato partners. And on the issue of whether Nato should expand eastwards – at the risk of upsetting Moscow – there is no clear agreement within any of the leading western capitals, let alone among the alliance as a whole.

Western unity

On tha face of things, the Serbs of Croatia have done the western security system a back-handed favour by mounting a series of air attacks which so flagrantly violated UN resolutions that the international community had little choice but to take action. At least for a moment, tbe Serbs goaded the westarn allies into rediscovering the unity whicb they formerly displayed in tbe face of the Soviet threat, and whicb had been conspicuously lacking in the previous two weeks of ill-tempered sparring over the arms embargo.

The US, its European allies and even – at least initially – Russia were able to agree on the need to stop future air attacks on the Bosnian enclave of Bihac. But there is no guarantee that this display of unity will be maintained if Serb commanders decide to keep on testing it. indeed, they may well calculate that sooner or later the strains within the contact group will resurface, and work to their advantage. The very survival of the western security institutions may depend on making sure such calculations are ill-founded.

In any case, the 16 members of Nato should not leave it to the Serbs of Bosnia or Croatia, or any other provocateurs, to provide them with a sense of purpose. To retain credibility, they need to take the initiative in defining more clearly those areas wbere they still do perceive a common aim, and those where they feel they can afford to differ.

Ripple effect of Tokyo's Big Bang

Gerard Baker examines the implications of allowing Japan's leading banks to open securities companies

This morning, Japan's stockbrokers will be bracing tbemselves. As they wait to see how the plunging Tokyo market reacts to tbe latest collapses in world stock markets, a serious threat to the brokers' viability is being launcbed.

Japan's leading banks are to open the doors of their own securities companies for the first time, ushering in the most radical upbeaval yet in the country's financial system.

While banks such as Sumitomo and Mitsubishi have been running securities operations in foreign markets for years, they bave been forbidden to sell stocks or bonds in Japan. But today subsidiaries of the six big retail banks will join those of a few smaller banks which were admitted to the securities market last year.

This big step towards universal banking was made possible by changes last year to Article 65 of tbe Securities Exchange Law, Japan's equivalent of the US Glass-Steagall act, which prevented banks from undertaking brokerage activity.

The catalyst for the change was the move by companies towards issuing bonds, rather than borrowing from banks, as a way of raising finance. As a result, banks began pushing the Ministry of Finance to allow tbem a slice of tbe bond-issuance business.

Aware of the damage that this would cause to existing brokers, the ministry decided to limit the banks' subsidiaries, initially, to bond underwriting and sales.

Though the banks are not yet permitted to compete witb the brokers in tbeir core business of equity trading, the competition for bond business will burt their rivals. So far this year, the subsidiaries of the smaller long-term credit banks have taken nearly 10 per cent of tbe bond issuance market, and tbe larger banks are certain to grab a much larger share.

For a while, the finance ministry placated tbe brokers by arguing that the relaxation would result in a larger market for everyone. The banks, too, maintained the fiction, saying they posed no threat to their new rivals. But in tbe last few weeks, the pretence has been dropped.

"This is going to be very competitive. Brokers are very concerned about what will bappen to tbeir business as the banks enter tbe market," said Mr Kaname Seki, managing director of tbe Japan Securities Dealers Association.

A slump in Tokyo's securities business has already devastated stockbrokers. Securities companies went from a combined pre-tax profit of Y2,200bn in 1989 to a loss of Y470bn in 1992. A slight recovery last year looks likely to be wiped out in 1994.

At first sight, Japan's four broking behemoths, Nomura, Nikko, Yamaichi and Daiwa, look like the biggest losers: 15 per cent of their earnings came from underwriting commissions last year, compared with an average of 6 per cent for smaller and medium-sized brokers. But they are large enough to withstand even a sizeable loss of business. And, as the result of a piece of reciprocal deregulation, they have establisbed trust banking subsidiaries which are expected to provide significant compensation.

The real threat is to the smaller stockbrokers. Bonds represent a smaller proportion of tbeir business, but the arrival of the banks comes just as their core equities business is hitting new lows.

The finance ministry has reduced new equity issues to a trickle in the last two years, to avoid flooding the market. Worse still, in recent months trading levels bave fallen sharply. Trading volumes on the stock market have declined from a peak of more than 1bn shares a day in 1988, to a recent low of an average 300m a day for this year.

The collapse of trading has put brokers' margins under severe pressure. For an average broker to make a profit, total trading needs to be in excess of 400m shares a day. Despite radical cost-cutting measures, including staff reductions of nearly 30,000, or 20 per cent, in three years, brokers are still losing money. In the past six months only 29 securities companies out of 215 made a profit.

Losing out to the banks in bond issuance will turn tbese difficulties into a crisis. One senior executive at a medium-sized broker said: "We are now in a race for customers, and I cannot see any other outcome than one in whicb tbe banks win the race easily. Because our profits are so weak, banks can always beat us on price, despite their size and higher costs."

What most upsets brokers is what they see as the unfair advantages enjoyed by the banks' subsidiaries. As well as baving the world's largest financial institutions backing them, they will have access to an enviable client base, in that tbe bank's cbents are expected to transfer their broking business to the bank's subsidiaries.

The new companies are supposed to be divided from their parents by "fire walls", preventing the transfer of information from bank to broker. They will not be allowed to tout for customers togetber, for example. But the aggrieved brokers feel thet most of the divisions are cosmetic – with one rule preventing the subsidiaries' staff from wearing the same coloured uniforms as those of the banks – and will not prevent subsidiaries from exploiting their links with their parent banks.

"Though we are not allowed to excbange information, I should point out that, of the 126 employees of DKB Securities, 124 came from DKB the bank," said Mr Yasuo Noda, president of DKB Securities, with a wry smile.

In two years the authorities are committed to reviewing tbe new framework, but few in the industry think the outcome will be anything other than a furtber extension of tbe banks' role. That leads most analysts to conclude that the industry is in for a significant shakeout.

One medium-sized stockbroker, Cosmo, has already had to be rescued by a bank. More are likely to follow. Even the banks seem prepared for it. Many of the smaller companies are partly owned by banks and larger companies, and many analysts expect these stakes to be expanded.

"Since the current difficulties for the smaller brokers are certain to get worse," said Mr Noda, "further mergers and consolidation are bound to happen."

One opportunity for brokers could lie in the further deregulation of the securities market, which might expand the volume of business by enough to save most of them. They bave been reluctant to press for wider deregulation until now, since it would be likely to lead to a cut in tbe fixed commissions they cbarge. But they may have little choice now.

A wide range of securities business is currently denied to the broking sector. Witb deregulation, tbere are some relatively new markets that brokers could tap, sucb as asset-backed securities and derivatives, both of which are beavily restricted in Japan.

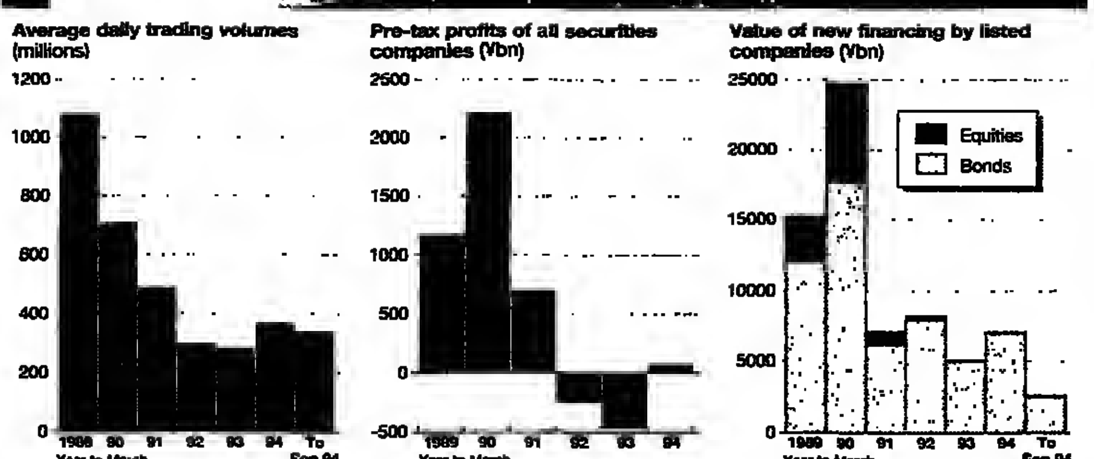
There would also be opportunities in a domestic secondary bond market, almost non-existent at present due to tbe rules governing the registration of bonds, which make it almost impossible to sell a bond once it has been bought.

"If the arrival of the banks is accompanied by a genuine opening of the whole securities market, then we have nothing to fear, and the real winner will be the corporate customer," said Mr Akira Ogino, a managing director of Nomura Securities.

This suggests the intriguing possibility that financial deregulation, up to now carefully controlled by the Ministry of Finance, might be developing a momentum of its own. Tokyo's markets are still hidebound by restrictions that deter domestic and foreign investors and limit the scope for raising capital. "The right thing to do now," says Mr Seki, "would be to press ahead with wider deregulation quickly to enlarge the market and create genuinely open competition."

It is a happy coincidence of interest that the action that will probably be necessary to save the skins of the country's brokers will be the same as that needed to develop a capital market commensurate with the needs of the world's second largest economy. The Ministry of Finance may find that it has at last created a self-propelling liberalising machine.

Japan's stockbrokers: feeling insecure



Sources: Tokyo Stock Exchange, Japan Securities Dealers Association

There's no time like European time

PERSONAL VIEW

Boosting a country's prosperity is rather like keeping a company moving forward. You must strive to increase revenues, to cut costs and to make yourself more competitive. Do this and in financial terms you will live to do more for your sharebolders.

If into the bargain you can improve the quality of life of those you are responsible for, you may even be liked as well – though that is asking a lot! Which has led me to wonder if it would not be remiss of tbe government to pass up an opportunity to bring in an extra £1bn a year for the UK's tourism and leisure industries, boost business and employment prospects, and consolidate tbe positions of London and Edinburgh as Europe's pre-eminent financial centres, all without costing us a penny.

For that very opportunity is before us now.

It goes by various names and has appeared in different guises over the years without ever quite making it on to the statute books. It is the remarkably simple idea of putting our clocks forward by one hour throughout the year on to wbat Eurotunnel is at present forced to call "concession time". This is what we operate from Folkestone, and what tbe Home Office bas laboriously cbristened "single/double summertime".

A campaign to achieve this objective – unifying tbe UK with European Time – was launched recently, witb the aim of bringing forward a private member's bill on the subject in the annual ballot that allows a backbencb member of Parliament to introduce a bill to tbe House of Commons.

The campaign, Daylight Extra . . . Now, is rigbtly pointing out tbe advantages of an extra bour's daylight at the end of tbe day, wben most of us would notice the difference. Most notable is the reduction in road accidents, evidence for whicb is provided by the Transport Research Laboratory and endorsed by the Royal Society for the Prevention of Accidents. There are also the greater opportunities for sport and leisure, but from my commercial perspective there are other benefits too.

For a start, the change to synchronise UK time with that in continental Europe would spell an end to the current absurdity whereby we enjoy a mere four bours of overlap in working time with the continent of which we are part and to wbich about tbree-fifths of our exports now go. Never do the 22 miles separating us seem so long as when you try to call a colleague in Paris around "lunchtime".

The campaign rightly points out the advantages of an extra hour's daylight at the end of the day

But there is far more at stake than mere convenience. Putting the clocks forward will synchronise Britain's financial markets with those of continental Europe, it will confirm Englisb as the main language of European business and it will open up a precious 60 minutes of overlap in working time with the tiger economies of the Far East.

Britisb executives will also experience the novelty of attending normal meetings in Paris, Brussels, Amsterdam, Geneva and Frankfurt without the expensive and time-consuming process of flying over the night before to stay in anonymous botels.

The tourist industry, which is heavily dependent on daylight bours already, would bave its season extended – thereby encouraging tbe rapidly expanding domestic market in off-peak and short-break bolidays.

Small wonder then that the campaign has the backing of, among 130 others, the Confederation of British Industry, Britisb Tourist Authority and tbe Association of Britisb Chambers of Commerce.

It is time to break inertia's grip on our parliamentary decision makers, and there is evidence to suggest that the grip is now slackening among MPs. Like all matters that affect the way we live our lives – be it the compulsory wearing of seat belts or imposing a smoking ban on public transport – tbere is an inbuilt reluctance to shift from the status quo.

Ultimately, however, passive opposition in those examples was overcome and I am confident it can be in this one.

As there was reluctance in Downing Street to include this measure in the Queen's Speech, then let there be support for a private member's bill whicb is included in today's ballot. Government by lottery it may be, but this is one issue whose number must surely now be called.

Alastair Morton

The nuthor is co-chnirmnn of Eurotunnel

OBSERVER

Silence is golden

■ Silvio Berlusconi, currently the only leader of a G7 country waiting to be grilled by anti-corruption magistrates, could learn a lesson or two from Italy's Enrico Cuccia, bonorary chairman of Mediobanca, the powerful Milan merchant bank.

Cuccia, wbo celebrates his 87th birthday today, received a warning from Ravenna magistrates in May that he and three other Mediobanca executives were under investigation for alleged involvement in false corporate reporting by Ferruzzi-Montedison, the troubled industrial group for whicb the bank masterminded a rescue plan exactly a year ago.

Immediately, a terse press release (Mediobanca's first ever) was issued denying the charges, and then there was complete silence.

In contrast, Berlusconi's reaction to the magistrates' warning was to record an angry seven-minute speecb, railing at almost everybody, and send it to all Italy's television channels.

Result: Berlusconi loses credibility; Cuccia guards his.

Wheels oiled

■ Indonesia's President Suharto is getting a reptitation as a man wbo can get things done.

Having made sure that the leaders at last week's Apec summit did not get drenched – he laid on a *pawang hujan* (rain man) to pray for dry weather – he seems to have been responsible for banging heads together at this week's Opec conference.

Opec has been looking for a new secretary general since June and it seemed as if the latest Opec meeting would pass without a decision: both Iran and Venezuela wanted their man to get the job. However, Suharto broke the deadlock witb a pbone call to Iran's President Rafsanjani urging him to accept Nigeria's Rilwanu Lukman as Opec's next chief.

A slightly surprising cboice – given Nigeria's reputation as Opec's bad boy for consistently flouting production ceilings. Even so, the fact that Opec can agree on something is bound to send the right sort of signal to the world's oil markets.

Out in the cold

■ Whatever happened to Sir Peter Holmes? He has gone to ground since he stepped down as cbairman of Royal Dutcb Shell nearly 18 months ago.

Unlike his predecessors, sucb as Sir Peter Baxendell, wbo went on to chair Hawker Siddeley, and "Fearless Frank" McFadzean, who went on to head British Airways and Rolls-Royce, Sir Peter has kept his head down.

At 62, he is still young enough to take his pick of chairmanships in tbe public or private sector. But he seems to prefer spending his time trekking in remote areas rather than networking in the City. It seems to run in the family. His daughter, Martha Holmes, has just picked up an International Emmy award for ber documentary Life in the Freezer – tbe product of two years spent in the Antarctic.

'It's a plaster-cast of a bag of plaster'

Mild and bitter

■ If November is going to be the warmest on record in Britain, what next? Unfortunately, Bill Foggitt, the Thirsk weather sage, has been basking in hospital during Britain's unseasonally warm autumn weather, so he has not been able to sniff the air as much as be would wish.

Now recuperating at home, he reports that the recent mild autumn spell, similar to those of 1944 and 1947, is not going to last. While the wet October and November of this year were similar to those of last year, that is where the similarity ends. Though last year's wet autumn was followed by a white Christmas and an extremely cold February, Foggitt is not predicting a white Christmas this year. It has happened in successive winters only once this century, be says: In 1963 and 1964.

Just say no

■ Someone in the Tory hierarchy has found an ingenious way of silencing the Young Conservatives, the spotty right-wing ideologues wbo make Lady Thatcber appear somewhat to the left of Tony Benn.

The dwindling band of teenage militants, long a thorn in the side of the party leadership, bave been told by Conservative Central Office that it will no longer organise their annual conference. They can make their own arrangements for next February's Southport jamboree.

To raise the necessary cash, the YCs – as they call themselves – have come up with the clever wheeze of charging journalists £50 for the privilege of covering the event. The only snag is that the main news organisations are refusing to pay up and threatening instead to ignore the youthful shenanigans.

Who says Central Office doesn't bave bright ideas?

Ministering angel

■ Pity the Earl of Longford, the veteran Labour peer and former cabinet minister wbo has been championing the cause of penal reform for 50 years. He despairs of securing any improvement while Michael Howard remains home secretary.

Indeed, the normally restrained peer has dubbed Howard "the prince of darkness". He is pinning his hopes on Home Office minister Baroness Blatch, who helped remedy some of John Patten's mistakes when be was education secretary. Longford calls ber his "angel of light".

Sheepish

■ Pfizer, the US drugs company, has just paid $1.45bn for SmithKline Beecham's animal healtb business which includes a thriving sideline in "swine and companion animal vaccines".

Come, come, Pfizer. If you are going to call a pet a "companion animal", surely a swine should be an ungulate omnivorous mammal. Even swine have feelings.

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Corruption allegations pose threat to budget

Italian coalition parties call for crisis meeting

By Robert Graham in Rome

Key partners in Italy's rightwing coalition government last night called for a crisis meeting after magistrates decided to investigata corruption allegations against Mr Silvio Berlusconi, the prime minister.

The move highlighted the division within the government which pitted the populist Northern League of Mr Umberto Bossi against its partners. It raised fears of whether the government would surviva to ensure the 1995 budget passed its last phase in the Senate.

Yesterday concern over Italy's political instability forced the lira to another historic low of L1,035 against the D-Mark.

President Oscar Luigi Scalfaro took the exceptional step of issuing a statement urging ths passing of the 1995 budget. This came after he met the speakers of the two houses, Mr Carlo Scognamiglio and Ms Irene Pivetti. Mr Scalfaro also said the government could only be changed by a parliamentary vote of no confidence.

The longstanding tensions within the government have been heightened in the waks of Tuesday's decision by Milan magistrates to investigate Mr Berlusconi for alleged corruption while running his Fininvest business.

Mr Bossi made it clear the government should only survive until the budget is approved. But yesterday the League leader and other members of his party were absent from a crisis meeting of the coalition. This was attended by Mr Cesare Previti, the defence minister and chief co-ordinator of Mr Berlusconi's Forza Italia movement, Mr Gianfranco Fini, leader of the neo-fascist MSI/National Alliance and Mr Pierferdinando Casini, head of the small Christian Democrat Centre.

Their call for an immediate clarification of where each coalition partner stood appeared aimed at forcing Mr Bossi's hand and assessing survival tactics with Mr Berlusconi'a six-month political career now at risk. Mr Fini on Tuesday was slow to come to Mr Berlusconi's support and the party's eventual statement was terse.

Mr Berlusconi seemed determined to tough it out. He stood by his claim of innocence and his mood was described as one of "serene indignation".

But Milan magistrates indicated they had taken evidence from 16 different sources. They are reportedly anxious to question him about alleged bribes paid by Fininvest subsidiaries to ensure favourable inspections by the tax authorities.

Talks are due to be held today between the government and the trade unions in an attempt to head off the planned eight-hour general strike on December 2 to protest against the budget and its plans to cut pensions. The impending strike has added another large element of uncertainty.

There were signs last night both sides were seeking to reduce tension and avoid a head-on conflict. But union leaders were worried about finding an acceptable last-minute compromise that would head off deep grass-roots discontent.

US moves ex-Soviet uranium to safety

By Jurek Martin in Washington and Steve LeVine in Alma Ata

The US yesterday completed the secret transfer of 600 kilograms of highly enriched uranium from a storage facility in Kazakhstan considered very vulnerable to tbeft.

Mr William Perry, defence secretary, told a press conference: "We have put this bomb-grade nuclear material forever ont of the reach of potential blackmarketecrs." He said the uranium could have been used to produce "more than 20" nuclear bombs.

Mr Warren Christopher, secretary of state, described the operation as "a landmark event in President Bill Clinton's non-proliferation strategy", along with last week's approval by the Ukrainian parliament of the nuclear non-proliferation treaty and the recent agreement with North Korea.

The US operation, codenamed Project Sapphire, was condncted over the past six weeks after the government of Kazakhstan, one of the four former Soviet states witb nnclear capability and a signatory to the NPT last year, privately advised Washington it could not guarantee the safety and security of the stockpile at its Ust-Kamenagorsk facility.

Mr Clinton anthorised the operation on October 7 and it was placed under the direction of vice-president Mr Al Gore. A US team then worked nonstop in Kazakhstan to arrange the transfer in conditions of high secrecy.

The first shipment left Ust-Kamenagorsk airport last weekend, with the final consignment arriving in Delaware yesterday morning en ronte to the reprocessing plant at Oak Ridge, Tennessee.

The operation was funded by the US under the Nunn-Lugar Act which provides abont $800m in the current fiscal year to assist denuclearisation efforts in Russia, Belarus, Ukraine and Kazakhstan.

"There is no better example of how the Nunn-Lugar programme can help eliminate a national security threat before it arises," Mr Perry said. "This is defence by other means and in a big way." His remarks were aimed at Senator Jesse Helms of North Carolina, probable next chairman of the senate foreign relations committee, who has threatened severe cuts to funding for such operations.

Kazakhstan's nnclear energy minister said the uranium was used during the Soviet period as fuel for nnclear-powered submarines and nnclear reactors, not for atomic weapons.

US concerns that what the state department calls "rogue states" – such as Iraq and Iran – might acquire nnclear capability have been high for the past two years. Reports of smaller quantities of enriched uranium intercepted in Germany earlier this year had heightened these fears.

Kohl launches government programme with jobs call

By Judy Dempsey in Bonn

Mr Helmut Kohl, the German chancellor, called yesterday for a "national alliance" of business, industry and trade unions to create more jobs, and pledged to reduce bureaucracy and cut social spending.

In a speech to parliament outlining the government's programme for the next four years, Mr Kohl also said it was crucial to speed up central Europe's integration into the European Union.

"It is in the interests of the Germans, but also in the interests of Europe, that the western border of Poland does not remain the eastern border of the European Union," he said.

"At the European Union summit in Essen [next month] we want a strategy to advance the young democracies of central, east and south-eastern Europe," he added.

Mr Kohl, who last week won a fifth term as chancellor by a single vote over the necessary majority, told the Bundestag: "We have to bundle all our energies to make Germany fit for the 21st century. We need an alliance for the future. I invite everybody to join us daring to renew our state and society. Work for everyone must be our common goal."

Mr Kohl said jobs must be created for the long-term unemployed as well as the disabled. Bnt he stressed that part-time work should be made more attractive and flexible as one means of opening up the job market, now considered the government's top domestic priority.

But Mr Rudolf Scharping, leader of the opposition Social Democrats, ruled out any form of "grand coalition". "Our opposition will aim to make life better for people in this country, not to keep you [Mr Kohl] in office," he said. "Every day you are in office is one day too long for us."

The SPD is determined to exploit the government's majority of 10. However, the opposition in tha Bundestag – which includes the Greens, the SPD and the reformed east German communist Party of Democratic Socialism – is for the moment too disunited to present a serious challenge to Mr Kohl's Christian Democratic Union-led coalition.

If anything, CDU officials believe the immediate threat to the coalition, which comprises the Christian Social Union, the CDU's Bavarian sister party, comes from the Free Democrats, the junior partner. The FDP has 47 seats after losing 32.

"Kohl had to be careful in this speech not to provoka tha opposition," a CDU senior official said. "He needs the SPD in the Bundesrat [upper house] to get any legislation through. This will be a tough period for tha government."

Government stability would be tested during elections in Hesse and North Rhine-Westphalia next year. "We are in big troubla if the FDP fail to get above the 5 per cent, the minimum required to enter parliament," he added.

Dow prompts fall in world markets

Continued from Page 1

Asian stock markets reacted badly to Tuesday's Dow decline. Hong Kong led, with the Hang Seng index dropping a further 4.2 per cent after Tuesday's 3.8 per cent decline. The British colony, which has a currency link with the US, is highly sensitiva to moves in US interest rates.

The Thai market declined 5 per cent and the Indonesian market fell 3.3 per cent.

European equity markets were marked down sharply as trading began. In London, the FT-SE 100 index opened around 40 points lower and, with no relief from early Wall Street trading, ended 51.2 points down at 3,027.5, its fifth largest fall this year.

Other European markets fell by about 1 per cent to 2 per cent, with the Dax index in Germany down 1.6 per cent in after-hours trading. European investors were worried that higher US interest rates might slow the US economy, hitting the growth of European exports and the profits of the US subsidiaries of European corporations.

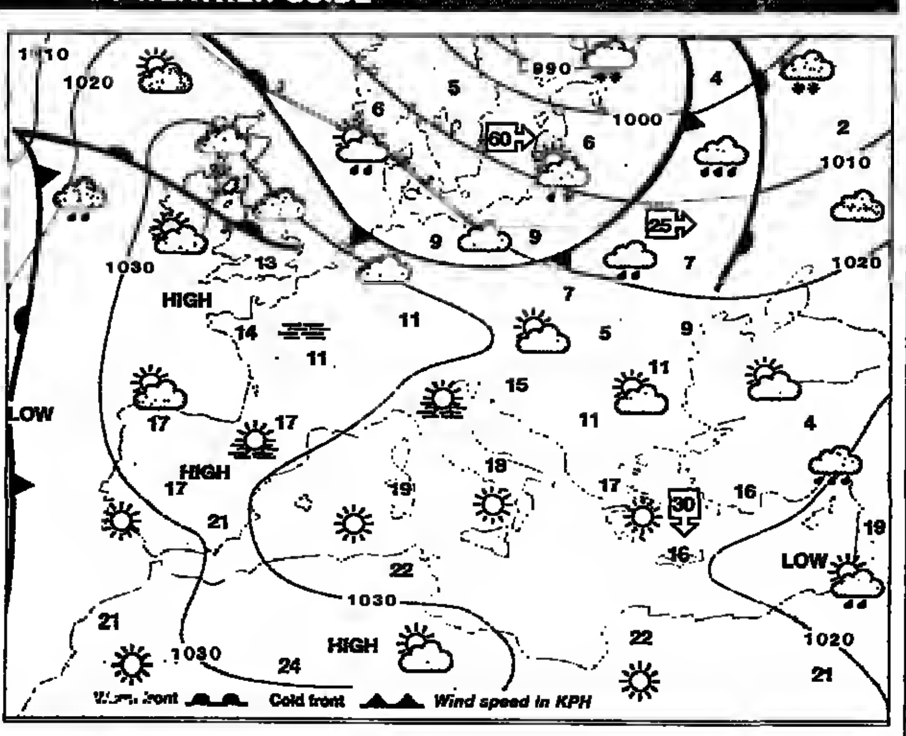
FT WEATHER GUIDE

Europe today

High pressure from England to France, the Alps, Spain and northern Africa will stay strong. As a consequence, fog may be dense and persistent in northern Italy, sections of France and northern Spain. England will be mostly overcast with drizzle. In contrast, most of the Mediterranean coast will be mild with clear skies. Disturbances will drive mild air into Russia along the northern side of the high pressure, causing rain in Poland and parts of Belarus. Northern Europe will have strong north-westerly breezes bringing snow to Norwegian ski resorts.

Five-day forecast

High pressure will continue to dominate from England to southern Europe and the former Yugoslavia, providing persistent fog in some areas and abundant sunshine and high temperatures in others. Rain is expected in central Europe during the weekend. Meanwhile, cold arctic air will hold temperatures below freezing from northern Russia to the Ukraine.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	hazy	7	Caracas	fair	31	Faro	sun	22	Madrid	sun	16	Rangoon	fair	33
	Celsius		Belfast	fog	10	Cardiff	drzzl	12	Frankfurt	fair	11	Majorca	sun	20	Reykjavik	rain	7
Abu Dhabi	sun	31	Belgrade	fog	11	Casablanca	sun	21	Geneva	fair	10	Malta	sun	21	Rio	shower	23
Accra	fair	32	Berlin	drzzl	10	Chicago	fair	11	Gibralter	sun	20	Manchester	drzzl	11	Rome	sun	19
Algiers	sun	21	Bermuda	cloudy	22	Cologne	fair	12	Glasgow	cloudy	11	Manila	thund	31	S. Frsco	cloudy	16
Amsterdam	cloudy	11	Bogota	cloudy	21	Dakar	fair	30	Hamburg	drzzl	9	Melbourne	windy	31	Seoul	cloudy	12
Athens	sun	15	Bombay	fair	32	Dallas	cloudy	15	Helsinki	snow	5	Mexico City	sun	21	Singapore	thund	29
Atlanta	sun	14	Brussels	fog	11	Delhi	sun	27	Hong Kong	fair	26	Miami	sun	25	Stockholm	windy	5
B. Aires	fair	30	Budapest	fair	10	Dubai	sun	30	Honolulu	cloudy	30	Milan	fog	10	Strasbourg	fair	10
B.ham	cloudy	12	C.hagen	shower	9	Dublin	fog	12	Istanbul	fair	12	Montreal	snow	2	Sydney	sun	24
Bangkok	fair	33	Cairo	shower	20	Dubrovnik	sun	17	Jakarta	fair	32	Moscow	rain	4	Tangier	sun	21
Barcelona	sun	18	Cape Town	fair	23	Edinburgh	fair	11	Jersey	fair	13	Munich	drzzl	11	Tel Aviv	thund	19
									Karachi	sun	33	Nairobi	fair	25	Tokyo	fair	13
									Kuwait	fair	30	Naples	sun	19	Toronto	fair	4
									L. Angeles	sun	24	Nassau	fair	27	Vancouver	rain	8
									Las Palmas	sun	25	New York	sun	5	Venice	fair	14
									Lima	cloudy	23	Nice	sun	15	Vienna	drzzl	11
									Lisbon	sun	20	Nicosia	shower	16	Warsaw	rain	9
									London	cloudy	13	Oslo	fair	6	Washington	sun	11
									Lux.bourg	fog	9	Paris	fog	11	Wellington	fair	15
									Lyon	hazy	12	Perth	fair	22	Winnipeg	sun	-1
									Madeira	fair	23	Prague	drzzl	10	Zurich	fair	9

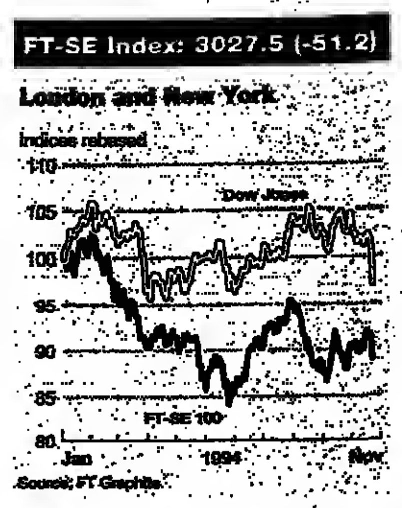
THE LEX COLUMN

Dow but not out

Wall Street has defied gravity all year. Though world bond markets and most other equity markets have tumbled, the Dow had stayed remarkably steady. One could view this week's slide as Wall Street catching up. Compared with bond yields of 8 per cent, the 3 per cent pay-out on shares was looking a bit mean. It also seems reasonable to shade down estimates of corporate earnings growth to take account of the latest rise in short-term interest rates. The growing feeling that a Republican Congress was more of a menace than a boon to industry hardly helped.

The knock-on effect on British and other European equities seems less to do with fundamentals than sentiment. True, any slowdown in the US will harm exports and rednce the earnings multinationals receive from their American subsidiaries. But UK equities bave already fallen this year. Moreover, the spread between gilts and Treasury bonds has narrowed in recent months. So the ratio between bond and equity yields in Britain is not as stretched as in the US. The same is true in much of the rest of Europe. Perhaps one should not even be too worried about Wall Street. Two promising features this week have been the rally in US bond markets and the firmness of the dollar. If they continue, funds which have been flowing out of US markets all year may start returning. Japanese investors, in particular, may be tempted back into dollar assets. It will not take a very large bond rally for Wall Street to look reasonably priced.

FT-SE Index: 3027.5 (-51.2)



Source: FT Graphite

Pfizer/SB

SmithKline Beecham may justify the disposal of its animal health business by insisting it wants to concentrate on human health. But yesterday's sale to Pfizer was motivated more by financial needs than industrial strategy. Although the deal may prove marginally dilutive, that will be more than offset by the balance sheet impact of £700m in net cash. By year-end, gearing should have fallen from a peak of nearly 350 per cent to just 120 per cent.

Pfizer's desire to leap from number six to the top spot in animal health appears initially puzzling. After all, the sector's low margins and relatively slow growth mean it has always been a poor cousin to human health. However annual growth of the US pharmaceuticals market has decelerated to just 5 per cent, little more than animal health's 3 per cent. Moreover, the mix of SB's business means that during the last three years its division has enjoyed average growth of 10 per cent and margins of 17 per cent. That will give Pfizer'a operations, whose margins fell from 18.6 per cent in 1990 to just 6.4 per cent last year, a substantial shot in the arm.

Whether Pfizer has overpaid is unclear; the acquisition is unprecedented in the animal health industry. The multiple of 22 times historic earnings is probably justified by the business fit. There is little product overlap and fine geographical synergy given SB's strength in Europe and Australasia and Pfizer's in South America and Japan. Given tha fragmented state of the animal health industry and the continuing turmoil in the drugs industry as a whole, this is unlikely to be the sector's last deal.

Granada

Granada has become the latest British group to toy with the idea of buying back its shares or paying special dividends. Doing so is clearly not its priority. Mr Gerry Robinson, chief executive, would much prefer to find more acquisitions into which to pour his energies. Indeed, the evidence to date on the LWT and Sutcliffe purchases seems to show that Granada is adept at adding value through acquisition. The snag is that suitable avenues for expansion are hard to find. During the summer, caterer Gardner Merchant spurned Granada's advances; moreover, the government is unlikely soon to change rules preventing the group buying another ITV company. As a result, Granada is having to scout around for catering acquisitions on the continent – so far with no luck.

Meanwhile, the company generates cash at a prodigious rate. If no further acquisitions are made, Granada will be debt-free in three years and still hold a £400m investment in BSkyB. Under such a scenario, share buy-backs would clearly be sensible. Investors should also be reassured by the implication that the management is not so desperate for deals that it will overpay. Yesterday's preliminary results show how tightly the business is being managed. The improvement in margins was particularly gratifying. But it is hard to argue that Granada is undervalued. The predictability of its rental and catering arms may compensate for their dullness. But a prospective price/earnings premium to the market of around 10 per cent looks large enough.

Tate & Lyle

Tate & Lyle is difficult enough to understand at the best of times; yesterday's decision to present less detailed segmental information is a retrograde step. The move may be justified commercially, but it will hardly help Tate dispel investors' doubts about the quality of its earnings. These have long been viewed as vulnerable to swings in the commodity-like markets in which Tate operates.

That said, the swings in the last financial year worked decidedly in shareholders' favour. Pre-tax profits were at the top end of analysts' expectations and the dividend was up by a generous 10.8 per cent. But with the shares up 18 per cent against the market this year, and a 20 per cent yield premium to the market converted to a small discount, this kind of earnings performance has already been anticipated. The question now is the extent to which the profits momentum can be maintained in the current year.

The pointers are good. The favourable supply/demand equilibrium in north American and European starch and sweetener markets seems set to continue. There is likely to be a modest recovery in the US sugar market. Elsewhere in the group there is ample scope for loss elimination – for example, at recently acquired Orsan – and for cost-cutting. Healthy cash-flow will enable Tate to pursue further acquisition opportunities and pay a substantially higher dividend. Tate will remain a core holding, notwithstanding the greater obscurity of its accounting.

FINANCIAL TIMES
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IN BRIEF

US cable group in $1.4bn buy

Continental Cablevision, the third largest US cable-TV company, is to buy the cable operations of Providence Journal in a deal valued at $1.4bn. Page 20

Nestlé hit by strong Swiss franc
Nestlé, the world's largest foods group, said sales in the first nine months were down 1.5 per cent to SFr45.9bn ($35bn), mainly because of the strength of the Swiss franc. Page 18

Stora surges as demand rises
Stora, Europe's biggest pulp and paper group, yesterday announced a SKr2.04bn ($277m) pre-tax profit for the first nine months, a seven-fold increase on last year's SKr294m. Page 18

Thyssen returns to black
Thyssen, the German steel-based conglomerate, said yesterday it was back in profit after the worst results in its 103-year history. Page 18

Granada focuses on expansion
Granada, the UK television, leisure and services group, group is considering expansion in continental Europe through acquisitions in catering and services. Page 18

ANZ surprises with A$803m
Australia and New Zealand Banking Corporation, the big Australian bank, surprised the market with news of an A$803.2m (US$609m) profit after tax. Page 19

Czech airline hopes for end to turbulence
Czechoslovak Airlines, the Czech Republic's loss-making national airline, is hoping an that government money and a new approach to partnerships will help it ride out a turbulent period. Page 20

Courtaulds pinpoints European plant
Courtaulds has chosen Grimsby, Humberside, as the site for its European production plant for Tencel, its new man-made fibre. The plant, which will initially create 120 jobs, will cost £90m ($147m). Page 22

Harrison & Crosfield shares fall
Harrisons & Crosfield shares dropped 8 per cent yesterday as the UK chemicals, commodities and building supplies company sought to rein in profit expectations. Page 22

Asprey falls to £3m
Asprey, the Queen's jeweller, revealed a sharp pre-tax profits tumble from £12.2m to £3.01m ($4.9m), in the six months to September 30. Tha company warned in September that the absence of a few high-spending customers would depress profits. Page 22

Porton poised for takeover
Beaufour Ipsen, the family-owned French pharmaceuticals company, should find out today whether its £65.5m ($107.4m) recommended takeover bid for Porton International, one of the UK's first biotechnology companies, has been successful. Page 22

Chloride Group buys security unit
Chloride Group's transformation from a batteries business into an electronics group was reinforced yesterday by the acquisition of ADE Group, an electronic security business. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Asko	730	-	26
BMW	749	-	28
Daimler Brz	745.5	-	20
Heidelb Zem	1201	-	44
Lahmeyer	644	-	16
Veba	516	-	12
NEW YORK ($)			
Rises			
Alld Signal	30½	+	½
Aluminum Am	77¾	+	2⅞
Dow Chem	61⅛	+	1
NationsBank	44¾	+	1
Falls			
Morgan Stan	58¾	-	⅜
Pfizer	72¾	-	2⅛
PARIS (FFr)			
Rises			
Vallourec	261.5	+	10.3
Falls			
Air Liquide	681	-	20
BIC	845	-	17
Docks France	867	-	26
Geophysique	348	-	12
Imetal	520	-	26

Tokyo closed. New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Bradford Prop	194	+	6
Division Group	133	+	13
Vega	253	+	10
Falls			
Blue Circle	293	-	11
Bowater	447	-	23
BT	369	-	10
City of London	88	-	5
Courtaulds	425	-	15
De La Rue	990	-	21
Harrisons Cros	148	-	13
Henderson Adm	980	-	33
M & G Group	945	-	40
Magnum Power	125	-	13
MSM	98	-	5
Perpetual	1103	-	42
Racal Elec	217½	-	10½
Readicut	82	-	5½
Sharelink	176	-	7
Smith New Court	360	-	11
Vodafone	195½	-	6½
Waddington	222	-	13
Warburg (SG)	651	-	24

Pfizer makes record purchase

By Daniel Green in London and Richard Waters in New York

SmithKline Beecham, the UK drugs company, yesterday agreed to sell its animal health business to US rival Pfizer and called a halt to the $7.7bn of corporate transactions it began in last May.

The $1.45bn deal is the biggest acquisition ever made by Pfizer, tha fourth biggest US drugs company, and signals its intention to grow through takeovers.

"We have several core health businesses, and we're looking for acquisitions in all of them," said Mr William Steere, Pfizer's chairman and chief executive officer.

Mr Jan Leschly, SmithKline's chief executive, said the disposal was probably the last corporate deal for the moment.

Since Mr Leschly was appointed in April, SmithKline has spent $5.2bn on buying Diversified Pharmaceuticals Services, a US drugs distributor, and Sterling Health.

It later sold the north American operations of Sterling to Bayer, the German chemicals company.

"I can't rule out further acquisitions, but what's next is to make sure that we make the most of our investments through synergy and restructuring," said Mr Leschly.

That restructuring has already started, with the merging of all businesses outside Europe and north America into a single division called SB Healthcare International, be said.

With the purchase, Pfizer will control the world's biggest animal bealthcare business, ahead of Rhône-Mérieux of France, according to Mr Matthew Phillips, animal health sector analyst with London stockbroker Wood Mackenzie.

SmithKline's animal health business had sales in 1993 of $614m and operating profits of $104m. Pfizer's division bad $578m in sales, $37.5m in operating profits and is growing more slowly than SmithKline's.

With this deal, Pfizer is buying an entry into European and Australian markets to complement its strengths in the US and Japan. It will also add animal vaccines and pet medicines to its product portfolio.

The companies said the transaction would unt dilute earnings.

The sale should more than halve SmithKline's gearing. Last September, the company expected year-end gearing to be 250 to 300 per cent. However, after this sale it should fall to about 120 per cent.

Lex, Page 16; Reorganisation, Page 22

SmithKline deals since April

Date	Company	From	Annual Sales/$	Price/$
Acquisitions				
May 3	DPS	United Healthcare (US)	142m	2.3bn
Aug 30	Sterling Health	Eastman Kodak (US)	1bn	2.9bn
Disposals				
Sep 13	Sterling Health in North America	Bayer (Germany)	345m	1bn
Nov 23	Animal Health	Pfizer (US)	614m	1.45bn

German bank sees operating profits fall

By Andrew Fisher in Frankfurt

Commerzbank suffered a 27 per cent drop in gronp operating profit to DM660m ($425m) in the first 10 months of this year as a result of weakness in world bond markets, hnt sales of shareholdings helped the group's pre-tax profit rise 43 per cent.

The German bank also said it had agreed to buy 51 per cent of Hypothekenbank in Essen, which specialises in municipal and mortgage loans. Hypothekenbank made net profits of DM34m last year and has total assets of DM22bn – which will bring Commerzbank's total assets up to more than DM310bn. The price of the stake was not revealed.

The fall in Commerzbank's operating profits mainly reflected the decline in bond and securities markets, with earnings on own-account financial dealings down by 88 per cent to DM56m from DM475m; losses and write-offs on securities were partly offset by profits on foreign exchange and derivatives transactions.

The bank rednced loan loss provisions by 3 per cent to DM1.3bn.

Commerzbank, the first of Germany's big commercial banks to issue its 10-month figures – next year, it will give only nine-month results – said its pre-tax profit was 43 per cent higher at DM1.5bn. Profits on the sale of its 15 per cent stake in Karstadt, the department store company, and of shares in the DBV insurance company were mainly responsible for the increase.

Mr Martin Kohlhaussen, chairman, hinted that shareholders would receive a higher payout to mark next year's 125th anniversary. He said the DM12 dividend would be "at least" maintained, and a possible anniversary bonus would be considered after the year-end.

Partial operating profits, which exclude own-account trading, rose 14 per cent. Contributing strongly was a 10 per cent rise in net interest income to DM4.3bn. Increased lending competition pushed the average interest margin down to 1.79 per cent from 1.85 per cent, but this has improved since mid-year.

Commerzbank will open up a direct banking subsidiary, Com-Direct Bank. It will offer standard securities, deposit and loan prodncts by telephone, fax or mail. Commerzbank is ahead of its big Frankfurt rivals, Deutsche and Dresdner Bank, in this area bnt not the first German bank to enter direct banking.

Metals group looks to reshape capital base

By Christopher Parkes in Frankfurt

A capital restructuring package, inclnding a call on shareholders for a further DM600m ($386m) and a two-to-one capital reduction, is being prepared for presentation at Metallgesellschaft's annual meeting next March.

Describing the scheme as "only a concept", Mr Kajo Neukirchen, chairman of the battered German metals and engineering group, said the aim was to offer shares in the capital increase at a substantial discount to the market rate.

Shares in this year's DM1.4bn rights issue, part of a DM3.4bn rescue arranged by bank shareholders, were priced well above the market at DM250.

The stock was suspended yesterday, after closing at DM143 on Tuesday.

The fact that Mr Neukirchen announced plans for a capital write-down suggested German creditor banks, which tightly control the company, bad already agreed in principle.

Restructuring of the gronp's capital base has long been expected and viewed as the logical consequence of the operational shake-out which has led to the sale and closure of dozens of subsidiaries in the year since collapse threatened.

The assets sale instituted last December has generated more than DM4bn, and 90 subsidiaries have been disposed of or deconsolidated.

Mr Neukirchen said yesterday that tha sell-off was virtually complete, apart from the planned disposal of the Lentjes plant and pipeline construction activities.

He repeated earlier forecasts of operating earnings exceeding DM100m in the year to the end of September 1995.

Mr Neukirchen also expanded on 1993-94 figures published last week which showed a net loss of DM2.7bn on sales of DM20bn, compared with a deficit of DM1.97bn on DM26bn turnover.

Trading and services divisions earned DM38m pre-tax on sales np DM1bn at DM8.7bn, after losing DM33m in the previous year.

Plant construction under the Lurgi group fell into a loss of DM35m, but only after setting aside DM110m for redundancies and early retirements. Lentjes profits shrank from DM52m to DM14m; financial services earnings rebounded to DM37.7m from DM11m.

The scale of the crisis caused by over-ambitious dealings in US oil futures showed up in the DM2.86bn loss at MG Corp of New York.

Patrick Harverson and Philip Coggan report on the falling Dow

Wall Street shake-out gives markets cold turkey

Investment Cassandras have been proclaiming that the US stock market has been overvalued for two years or more, but Wall Street has stubbornly refused to pay attention.

This week may have seen the turning point. On Tuesday the Dow Jones industrial Average plunged more than 90 points, its biggest fall since the Federal Reserve first raised interest rates and sparked a stock market decline in early February.

The frenzied selling in Tuesday's final bour of trading, coming after a similar sharp decline late on Monday, indicated that something was seriously wrong with the US market. Just how wrong remains to be seen, but Wall Sreet's hopes for a traditional December rally in share prices are fading.

European and Asian equity markets have been almost powerless to resist in the face of the US declines. In some cases, such as Hong Kong, there is a direct interest rate and currency link with the US, which often turns the local stock market into a more volatile version of Wall Street.

In Europe, the health of the US economy has a direct impact on corporate profits. If the Fed's increases in interest do slow the US economy, "the result will be a net negative for the rest of the world both in terms of lost exports to the US and lower corporate profits earned by US subsidiaries", said Mr Peter Lyon, chief strategist at securities house Smith New Court.

With US investors also playing an important part in world capital flows, it is hard to see how European and Asian markets can escape from Wall Street's influence. So the immediate prospects for world markets depend on events in the US.

This week's losses, while well short of Crash proportions, have left traders, investors and analysts rattled. The Dow lost 3.6 per cent of its value on Mooday and Tuesday, the largest two-day decline since March.

The selling was so intense that the New York Stock Exchange's "circuit breakers", which limit computerised program trading during volatile markets, proved totally ineffective. Yesterday, the market's mood remained grim, and analysts were speculating whether the Dow would soon test its year low of just above 3,600.

Until this week, the Dow had outperformed the rest of the market hy some margin. At the start of the week, it was up 1.6 per cent on the year, while the Standard & Poor's 500 – a much broader measure of the market – was down 1 per cent. The main indices of financial, transportation, and utilities stocks were down 10 per cent, 17 per cent, and 24 per cent respectively.

The Dow held up so well this year because investors had been buying cyclical stocks – which make up a large part of the Dow average – in the hope of riding the coat-tails of strong economic recovery.

However, late on Monday, investors – their confidence in the economic outlook undermined by last week's interest rate rise – began to sell cyclicals. The Fed's move on November 15 was the sixth (and possibly not the last) tightening of monetary policy in 1994, and the largest rate increase in more than a decade. This, says Mr Richard Hoey, chief economist at the Dreyfus fund group in New York, spooked investors. "The Dow has a lot of cyclical stocks in it, and the cyclicals were outperforming on the basis of a strong economic recovery. But then the Fed tightened aggressively, to the point where the fear of weaker earnings and recession in 1995 spread."

On top of the concern about further rate increases and a weakening in economic and earnings growth, there was a growing realisation on Wall Street that investors may be ready to switch their money out of shares and into bonds because of the more attractive yields available on the latter.

As one fund manager said on Tuesday: "People are finally understanding that it's better to get 7.5 per cent guaranteed hy the government than a 3 per cent dividend from a stock." US dividend yields are still low in historical terms, and indeed are little better than those prevailing at the time of the 1987 Crash.

This week Morgan Stanley cut its recommended allocation of atocks in its model portfolio from 97 per ceot to 85 per cent, and Dean Witter Reynolds raised the bond portion of its model from 35 per cent to 50 per cent.

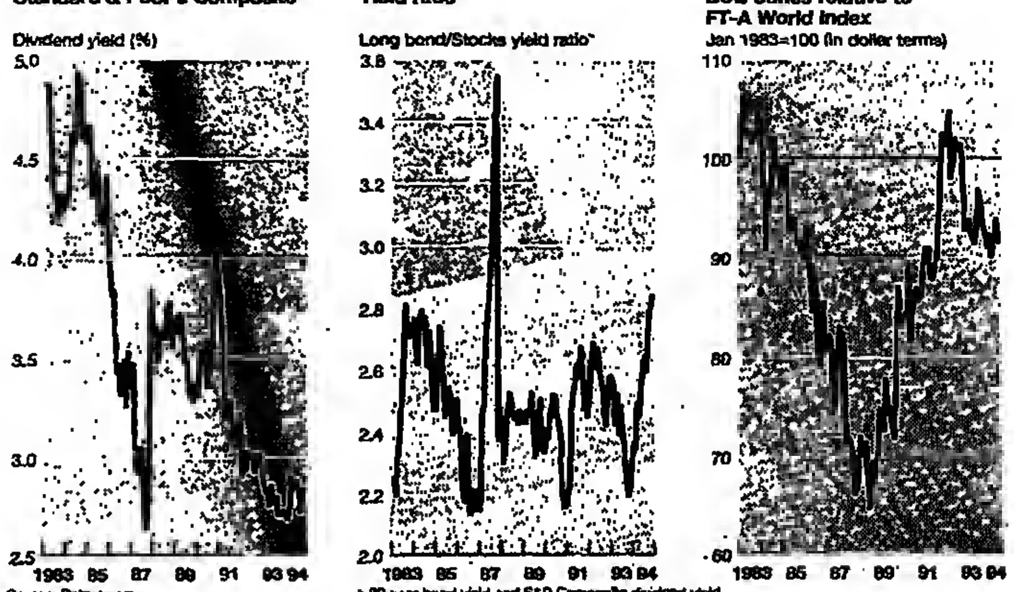
By yesterday, it was clear the bond market was already benefiting the switch out of stocks. For the second consecutive day, bond prices rose as share prices dropped. After one of its worst declines ever, the bond market now appears poised to capitalise on the stock market's woes.

The US stock market has also been unsettled by the uncertain political situation in Washington, where tbe Republicans who recently took control of Congress are talking of cutting taxes and increasing defence spending. To investors, this sounds like a recipe for higher budget deficits and initial Republican threats to delay a vote on the Gatt trade agreement also upset the market.

Today's Thanksgiving holiday may be a welcome break for investors and traders on both sides of the Atlantic. But those bulls who were counting on a Dow rally through 4,000 by Christmas may feel queasy as they tuck into their turkey.

Editorial Comment, Page 23; Lex, Page 24; 'B&b' deals, Page 28; London market, Page 48; World stock markets, Page 45

US stocks: are they overvalued?



Source: Datastream
* 30-year bond yield and S&P Composite dividend yield

Tate & Lyle profits rise 23%

By Roderick Oram, Consumer Industries Editor

A strong performance from US cereal sweeteners and starches helped Tate & Lyle overcome weaker US sugar markets and modest growth in Europe to report a 23 per cent rise in pre-tax profits to a record £273.8m ($449m) for the year ended September.

The main factor behind the rise was the turnround at Staley, the US subsidiary it acquired in 1988 for $1.2bn. It reported a record profit thanks to higher volumes, strong demand particularly from the soft drink makers, new uses for starch and lower costs.

The upturn came after several years of labour disputes over the introduction of new working practices at its Decatur, Illinois plant.

Staley's profits, however, masked a downturn in the group's sugar profits in the US where margins were eroded by record beet supplies.

Tate & Lyle declined to giva specific figures in line with a decision to reduce the data it publishes. "We believe it's detrimental to the business" to give more information than do competitors, many of which are private companies, Sir Neil Shaw, chairman, said. Several analysts said they found it difficult to split out the figures to assess fully the results.

Operating profits from North American sweeteners and starches rose 31 per cent to £147.6m on sales ahead 13 per cent at £1.64bn. In the past the group gave separate figures for cereal sweeteners and starches, US sugar and Canadian sugar.

European profits from sweeteners and starches rose 5 per cent to £136.5m on a similar rise in sales to £1.3bn. In the UK profits "held up well" with sales to industrial customers rising but exports falling.

Amylum, its European cereals subsidiary, enjoyed strong sweetener profits but weaker starch profits.

Profits from sweeteners and starches in the rest of the world rose 32 per cent to £20.8m on a 54 per cent rise in sales to £513.2m. Bundaberg, the Australian sugar miller acquired in 1991, performed strongly.

The board recommended a final dividend of 9.8p making 14.4p for the year, up 11 per cent.

Earnings per share were up 13 per cent at 37.1p fully diluted against 32.7p a year earlier, reflecting higher minorities and a tax charge of 27 per cent against 25 per cent.

Lex, Page 16

Stora surges on stronger demand

By Christopher Brown-Humes in Stockholm

Stora, Europe's biggest pulp and paper group, yesterday announced a SKr2.04bn ($277m) pre-tax profit for the first nine months, a seven-fold increase on last year's SKr294m.

Higher volumes, lower financial costs, the weak krona and capital gains all contributed to the surge. Mr Lars Ake Helgesson, chief executive, said the group had benefited from higher prices during the third quarter.

Average prices were up 1 per cent, with higher pulp, fine paper, newsprint and packaging paper prices offset by lower board, magazine paper and light-weight coated paper prices.

Mr Helgesson said the impact of higher prices would be greater in future, since prices for half the group's production volume were yet to improve. Prices for newsprint and uncoated magazine paper were due to rise by as much as 25 per cent from January, he said.

The upturn in pulp and paper demand means Stora is operating virtually flat out, with capacity use rising to 93 per cent from 89 per cent and deliveries climbing 6 per cent to 5.11m tonnes. The increase in European demand for the group's products ranges from 5 per cent for newsprint to 18 per cent for coated fine papers. The trend has helped to push up underlying sales by 11 per cent to SKr35.3bn.

Operating income of SKr2.94bn included one-off gains of SKr590m, arising mainly from the sale of the Tarkett floor material unit. The comparable 1993 figure was SKr1.55bn, when there were one-off gains of SKr188m.

The group's financial costs fell to SKr905m from SKr1.26bn due to lower interest rates and a reduced debt burden.

All of the group's divisions improved their performance, except for Stora Financial Services, where operating income dropped to SKr249m from last year's unusually etrong SKr702m.

Stora Feldmühle lifted profits to SKr641m from SKr90m, while Stora Papyrus saw profits jump to SKr509m from SKr158m. Stora Power and Stora Building Products were the only divisions to remain in the red.

Analysts are predicting a full-year profit of more than SKr3bn after last year's SKr530m.

Sales at Nestlé hit by strong Swiss franc

By Ian Rodger in Vevey

Nestlé, the world's largest foods group, said sales in the first nine months were down 1.5 per cent to SFr45.9bn ($35bn), mainly because of the strength of the Swiss franc.

However, Mr Helmnt Maucher, chairman, forecast an increase in net income for the full year, partly attributable to extraordinary gains, and further increases in sales and profit in 1995.

Nestlé's sales volume rose 2.8 per cent in the first 10 months, well below its 4 per cent target.

Mr Mancher said the recession in Europe had affected Important markets snch as France, Spain and Germany.

Acqnisitions added 2.1 per cent to the valne of sales and price increases a further 1.7 per cent. However, the effects of the exchange rate knocked off 6.9 per ceot, and a change in accounting for sales in inflation-hit Brazil shaved off a further 1.2 per cent.

The gronp will record a SFr620m after-tax profit this year on the sales of its interests in distribntors of the French cosmetics gronp L'Oréal. Mr Reto Domeniconi, finance director, said SFr320m would appear as an extraordinary gain and the remainder would be transferred directly to the balance sheet.

Mr Mancher said two-thirds of sales growth in the past decade had come from acquisitions, bnt he foresaw a reversal of the pattern as sales from snbsidiaries in developing countries expanded.

Capital spending was likely to be flat this year at SFr3.1bn.

The gronp recently announced some 2,000 redundancies at three sites in the UK. Mr Ramón Masip, chief operating officer, said the cuts were "all that are foreseen in this country for the next few years".

● Mr Maucher said yesterday Nestlé was interested in buying the Enropean petfood activities of US breakfast cereal manufacturer Quaker Oats.

Thyssen returns to black but omits dividend again

By Michael Lindemann in Bonn

Thyssen, the steel-based conglomerate, said yesterday it was back in profit after the worst results in its 103-year history. However, it will not be paying a dividend for 1993-94.

The group reported a DM90m ($57.9m) net profit for the year ended September 30, compared with net losses of DM994m the year before. Final figures for the year are expected in January.

Thyssen said a "satisfactory" dividend would be paid at the end of the present financial year.

The group last paid a dividend, of DM10, in 1992.

Its recovery was driven mainly by a turnround in the European car industry and the growing demand for investment goods as Germany emerges from its worst post-war recession. Restructuring over the past two years, especially in the steel division, also helped to lift productivity.

Turnover for the year rose 4 per cent to DM34.9, up from DM33.5m, while orders increased 8 per cent.

Budd, the US subsidiary, saw turnover rise 17 per cent during the review period, helped especially by strong sales of pick-up trucks and minivans, which are the group's speciality.

More jobs are expected to be ahed in the coming year, mainly in the steel division, which represents about 30 per cent of group turnover and was the main cause of the recent losses.

Steel sales rose 3 per cent to DM11bn during the period. Although the steel division has been reporting monthly profits since April, it will report a loss for the year as a whole, even though plants are working flat out and cannot meet the unexpectedly strong demand for some products.

Thyssen employed 129,389 people at the end of the period, about 5 per cent less than a year earlier.

The group expects to shed another 4,000 steelworkers by the end of 1995, bringing the steel division's workforce to about 22,000, down from 30,858 in September 1993.

● The Steel Federation said new orders at German steelmakers in the third quarter rose 16.4 per cent, to 9.5m tonnes, over the same period a year ago.

However, the figures represent a drop of 0.8 per cent against the second quarter, mainly because of lower orders from China.

BK Vision to pursue UBS action

By Ian Rodger

BK Vision, the inveetment fund that is the largest shareholder in Union Bank of Switzerland, is determined to go ahead with a legal challenge to the UBS shareholders' vote in favour of converting registered shares into bearer shares.

UBS yesterday appealed to dissident shareholders not to block the introduction of the new share structure. It pointed out that a clear majority – 57.8 per cent of the registered shares voted at an extraordinary meeting on Tuesday – endorsed the change.

Under the new structure, the voting strength of the registered ahares, now five times that of bearer shares, would be slashed to equal bearers.

UBS said the majority support from registered shareholders was a strong argument against the granting of an injunction to BK Vision to block the implementation of the conversion.

BK Vision, controlled by Mr Martin Ebner's BZ banking group, has argued that registered shareholders should have been allowed to vote separately on the issue.

Mr Kurt Schiltknecht, a director of BK Vision, maintained there were several other grounds for contesting Tuesday's vote.

Investors seem to believe BK Vision will win the injunction next week.

Générale des Eaux names Messier as heir-apparent

By David Buchan in Paris

Mr Jean-Marie Messier, a 37-year-old investment banker, was yesterday named number two at Compagnie Générale des Eaux, the French utilities group, in the expectation that he will take over at the FFr147bn-a-year ($27.6bn) business from Mr Guy Dejouany, CGE's veteran chairman and chief executive, in 18 months.

CGE said that the decision to co-opt Mr Messier to the board as a director-general was taken unanimously, therefore with the apparent approval of Mr Jacques Calvet. Mr Calvet, the head of Peugeot, the carmaker, bad earlier threatened to resign from the CGE board if so young a man with little experience of the group's business were "parachuted" into so high a position.

Mr Calvet left Paris on a business trip immediately after the CGE board meeting.

A CGE statement made clear Mr Messier was being groomed to succeed Mr Dejouany, who has run CGE for the past 18 years and who is due to retire in 1996.

It said Mr Messier "will have very broad delegated powers, under the control of" Mr Dejouany. He will bead a new internal executive committee to prepare important decisions and a new subcommittee of the board dealing with corporate strategy and development.

This puts him above Mr Paul-Louis Girardot, the only other CGE director-general to be a board member.

Mr Girardot was known to be unhappy with Mr Dejouany's decision to pass bim over by choosing someone much younger from outside the group.

Granada may expand in Europe

By Raymond Snoddy in London

The Granada group is considering expansion in continental Europe through acquisitions in catering and services.

The new focus was revealed yesterday as the UK television, leisure and services group announced a record pre-tax profit of £265m ($434.6m) for the 52 weeks to October 1 – a rise of 51 per cent.

Granada, following the failure of its attempts to acquire Gardner Merchant, the catering group, is faced with the prospect of increasing profits and a debt-free business within three years if it makes no new significant acquisitions.

Mr Gerry Robinson, Granada's chief executive said: "We might look at European motorways, European catering businesses and public catering."

The group, one of the largest independent television companies, owning Granada Television and London Weekend Television, can add little to its UK television interests without a change in regulations.

Mr Robinson said: "The most likely outcome is that we don't have acquisitions over tha next 18 months. I would like that not to be true but it will only not be true if we find the right thing."

He conceded the company might eventually bave to return more money to shareholders if the right deals do not come along.

Yesterday, Granada reported strong growth in its existing businesses and in the year's two most recent large acquisitions, Sutcliffe Catering and LWT.

Mr Robinson was also bullish about the future. He said the company looked forward to 1995 with confidence "in our ability to improve margins and with expectation that our own capacity to generate organic growth from our principal businesses will be enhanced by an improving economy".

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National Grid raises payout

By Michael Smith in London

The National Grid, the England and Wales power transmission company, is to increase its interim dividend to the regional electricity companies which own it, by 17 per cent to £54m ($84.8m). The Grid is expected to be floated on the stock exchange next summer.

The rise is in spite of a 6 per cent fall in pre-tax profits, to £267.1m from £285.3m. The fall was blamed partly on a £33.3m premium paid on the early redemption of £300m of government debt.

Analysts warned against drawing strong conclusions about the full-year dividend. However, most said the results were in line, or slightly above, expectations, after taking one-off factors into account. Most analysts were impressed by a 10 per cent cut in controllable costs at the core business.

The flotation price of the company will depend on how much debt the regional electricity companies put into the National Grid. One analyst said £4.2bn seemed the base figure, with the likelihood that it could be as high as £5bn.

The regional electricity companies are discussing flotation with the government, which holds a golden share in the National Grid, and are likely to announce details within the next few months.

The flotation is likely to be a demerger, whereby shareholders in the regional electricity companies are given new shares in the grid. The regional electricity companies are expected to load the company with debt of about £750m to help pay a £1bn tax bill and consumer rebates of more than £200m.

AT&T confirms interest in Bull

AT&T, the US telecoms group, has denied it would only take a stake in French compnter gronp Groupe Bull if the French government made more concessions in opening up its markets, Reuter reports from Paris.

"Those are separate issues," AT&T said yesterday. "We are willing to take a stake in Bull and we are whole-heartedly in favour of the opening up of telecommunications markets in France and other countries where we cannot operate.

"The European Union decided on Friday to end the telecoms monopolies by 1998, and that'a fine with us. Of course, we would like to see it happen earlier."

However, AT&T has indicated it would like to see France make concessions before the US Federal Communications Commission approves a proposed link-up between state-owned operators France Telecom and Deutsche Telekom and Sprint, the US long-distance operator.

"We made a filing to the FCC on Friday saying we would welcome such a link up – provided we were allowed to do similar business in France and Germany," AT&T said.

● France Telecom, a 17 per cent shareholder in Groupe Bull, said it would inject FFr561m ($105.2m) into the computer maker before the end of the year, ahead of its privatisation.

LEGAL NOTICES

No. 006583 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

MR REGISTRAR BUCKLEY

IN THE MATTER OF
THE BIRKDALE GROUP PLC
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

UPON THE PETITION of the above-named The Birkdale Group PLC (hereinafter called the "Company") whose Registered Office is situated at 52-54 Broadwick Street, London W1V 1FF presented to this Court on 11th October, 1994.

AND UPON HEARING Counsel for the Petitioner

AND UPON READING the said Petition and the evidence

THIS COURT DOTH ORDER that the reduction of the share premium account of the Company by £3,754,000 resolved on and effected by a Special Resolution of the Company passed on 7th September 1994 be and the same is hereby confirmed in accordance with the provisions of the above-mentioned Act.

AND IT IS ORDERED that this Order be produced to the Registrar of Companies and that an office copy hereof be delivered to him.

AND IT IS ORDERED that notice of the registration by the Registrar of Companies of this Order be published once in the Financial Times newspaper within 21 days after such registration.

Dated this 16th day of November 1994.

No. 007250 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
MERCHANT RETAIL GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 9 November 1994 presented to you Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above-named Company by £1,430,861.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 14th day of December 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 24th day of November 1994

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

Solicitors for the above-named Company

ANZ beats market expectations

By Nikki Tait in Sydney

Australia and New Zealand Banking Corporation, the last of the big Australian banks to report earnings for the year to end-September, yesterday surprised the market with an A$803.2m (US$613.1m) profit after tax but before abnormals.

The figure compared with A$459.7m in the previous year. Including abnormals, the profit was A$821.9m, up from A$246.5m. Earnings per share rose sharply – from 30.8 cents to 54.5 cents, on a pre-abnormals basis.

The final dividend is 14 cents (unfranked), compared with 10 cents a year ago, making a total for the year of 25 cents, up from 20 cents.

The result was ahead of analysts' expectations, which had been pitched slightly below A$700m. The shares jumped 8 cents to A$3.75, helping to rally both the banking sector and the Australian stock market which had been rocked by Wall Street's overnight plunga.

ANZ said the result came on the back of strong income growth and a sharp fall in the charge for doubtful debts. It noted a particularly strong recovery in the profits from its core Australian operations, which contributed A$456.8m to the group's total, compared with A$199.9m previously.

International operations contributed A$250.7m, against A$163.9m, while the New Zealand business remained stable, with A$95.7m.

ANZ said the charge for bad and doubtful debts fell to A$381.4m, from A$633.7m a year ago, with Mr John Gough, chairman, describing the asset quality issue as "well under control". Net impaired assets at end-September were A$1.93bn, down from A$2.7bn in 1993.

Operating expenses increased by A$89.9m, with a reduction in premises and computer costs being offset by higher personnel and other costs.

This meant the ratio of operating expenses for net operating income stood at 66 per cent, down from 69.2 per cent in the previous 12 months.

ANZ McCaughan, the group's stockbroking arm, made A$14.4m, up from A$5.3m in 1992-93.

In Melbourne, Mr Don Mercer, managing director, said ANZ hoped to overtake National Australia Bank – the strongest of the large Australian banks - in terms of returns on shareholders' equity.

"I fancy our chances of passing our major competitors on return on shareholders' equity," he commented, although ANZ achieved only 15.2 per cent last year, compared with NAB's 17.5 per cent.

He added that ANZ had no large acquisition plans, nor was it looking to divest any significant elements of its business.

Belgian metals group to float Swedish arm

By Kenneth Gooding, Mining Correspondent

Union Minière, the Belgian metals group, is to reduce further its interests in the zinc business by floating Ammeberg Mining Corporation, its Swedish mining subsidiary, on the Stockholm stock exchange on terms which value it at about SKr1.26bn ($170m).

UM plans an initial public offering of nearly 11m Ammeberg shares, or 95 per cent of tha company, at between SKr103 and SKr112 each. Underwriters have the option to buy additional shares to cover over-allotments and, if this is taken up, UM will have no further ownership interest in Ammeberg.

Gross proceeds from the offering before the exercise of over-allotment options and commissions were expected to be between SKr1.2bn and SKr1.39bn, UM said.

The offering will consist of retail and institutional offerings in Sweden and an international institutional offering. About 30 per cent of the shares available will be offered in Sweden, including about 5 per cent to retail investors. It is scheduled to be completed by mid-December.

Ammeberg operates the Zinkgruvan underground mine, in south central Sweden, which opened in 1857 and last year produced about 63,000 tonnes of zinc, 15,000 tonnes of lead and 30 tonnes of silver.

UM said last year it wished to give up its role as the world's biggest zinc producer. It has closed its zinc refining plant at Overpelt in Belgium, and last year cancelled plans to double capacity at its Balen zinc refinery, also in Belgium.

In February, UM sold its Union Zinc subsidiary in the US to Savage Resources of Australia for US$200m. Flotation of the Swedish zinc subsidiary will round off this rationalisation process.

Indian Shaving Products ahead at Rs341.1m midway

By Shiraz Sidhva in New Delhi

Indian Shaving Products, a joint venture between Gillette of the US and the Calcutta-based Poddar group, yesterday announced a 150 per cent rise in net profit for the half-year to September 1994 on the back of a 20 per cent increase in sales.

The company said net sales for the first half of the financial year rose to Rs341.4m ($10.9m) from Rs285.5m a year ago, with strength in both tha domestic and export markets.

While domestic sales grew 18 per cent to Rs301.2m, export sales were up 35 per cent to Rs40.2m.

Gross profits increased to Rs54.8m from Rs43.3m, a rise of 27 per cent.

This was achieved after investing Rs42.1m in advertising and other marketing activities. Net profits increased 150 per cent to Rs28.5m, after providing for a depreciation of Rs14.8m and interest of Rs11.5m.

In 1993-94, the company wrote off the difference in exchange on a long-term advance received from Gillette, resulting in a loss of Rs17.6m, and therefore there was no exchange loss in this period. This contributed to sharply higher net profits this year.

Strong advance at ICI India

By Shiraz Sidhva

ICI India, a subsidiary of Imperial Chemical Industries of the UK, yesterday announced a 77 per cent increase in gross profits for the first six months to September and a 15 per cent advance in turnover for the period.

The company's profit before tax increasad to Rs254.3m ($8.1m) from Rs47.4m last year. Net sales increased to Rs2.82bn from Rs2.36bn reflecting improved trading conditions and the intrinsic strengths of the diversified product portfolio of the company.

Gross profit after the deduction of interest but before depreciation and taxation increased to Rs341.6m from Rs192.5m last year.

The company said the explosives business continued to suffer from low prices in an oversupplied market. With this exception, the company's other businesses contributed to the large upturn. The restructuring of the company's portfolio resulted in a steep reduction in interest costs and the effective elimination of debt.

ICI India said it had restructured the seeds business during the half-year, resulting in a profit of Rs13.2m. Profit after tax rose 59 per cent to Rs150.5m, in spite of the fact that the previous period included a large gain from the disposal of the company's fibres business.

Astra International gains 84%

Astra International, one of the largest business groups in Indonesia, surprised the market with an 84 per cent rise in net profits for the first nine months of the year, Reuter reports from Jakarta.

The company reported net profits of Rp186bn ($88m) against Rp101.93bn a year ago, on sales of Rp6,282.32bn, against Rp4,110.47bn.

"Tha impressive result was due mainly to higher automotive sales, which accounted for about 75 per cent of total sales," Mr Jos Parengkuan, an analyst with Lippo Securities said.

"But gross profit rose only 41 per cent due to a lower gross margin, which resulted from the strong Japanese yen."

He said average gross margins edged up to 18 per cent in the third quarter from 17.4 per cent in the first half.

Meanwhile, tha Bisnis Indonesia newspaper reported yesterday that Astra would secure a $200m loan from a syndicate of several Singapore-based Japanese banks.

It said the loans would be used to finance Astra's expansion programme in agriculture and financial services.

Mr Rini S. Soewandi, the company's finance director, was quoted as saying that agricultura currently contributes about 4 per cent of the company's total revenue.

Mr Rini said that Astra had planned to raise $200m through bonds to be issued in the US with interest rates of between 9.5 per cent and 10 per cent. That plan was postponed as several Indonesian companies were reported to have issued Yankee bonds with higher interest rates.

According to the company, the syndicated loan agreement is expected to be signed in Singapore on December 16.

● Semen Gresik, Indonesia's state-owned cement company, is to acquire Semen Padang and Semen Tonasa, the other two state-owned cement companies, early next year prior to listing its shares offshore, Antara, the official news agency, said yesterday, AP-DJ reports from Jakarta.

No details were revealed.

Padua bank seeks 81% of Credito Lombardo

By Andrew Hill in Milan

Banca Antoniana, a Padua-based bank, is negotiating with Monte del Paschi di Siena, Italy's oldest bank, to buy an 81 per cent stake in Credito Lombardo, Monte dei Paschi's quoted subsidiary, for about L240bn ($149m).

Credito Lombardo, based in Milan, has only 13 branches, but the acquisition would fit into Antoniana's strategy of extending and strengthening its network of 127 branches across north and north-east Italy.

The operation is part of the continuing shake-up in Italian banking, in which Antoniana has played a small role. The Padua bank is one of four small banks from the Veneto region which decided this month to sell their joint 13.52 per cent stake in Banco Ambrosiano Veneto to other shareholders, in effect blocking a bid for control by Banca Commerciale Italiana.

Monte del Paschi said on Tuesday that the sale of its Credito Lombardo holding should be completed by the end of the year.

Antoniana will have to launch a full bid for the outstanding shares on tha Italian market at the same price of about L4,400 a share. Trading in Credito Lombardo's shares was suspended on Tuesday morning, having risen 5 per cent on Monday to L3,588. They remained under suspension yesterday.

Incentive buys German cycle unit

Incentive, the Danish industrial group, said it had acquired the bicycle accessories activities of German's Union Dortmund. The unit has turnover of about DKr250m ($41.1m), writes Hilary Barnes in Copenhagen.

Incentive owns a Danish cycle-lamp company, Basta, and Soubitez, the French dynamo-lamp manufacturer, and said the acquisition would make Incentive a world leader in cycle lights.

ACT clears a path through risk-management minefield

Publication of the Association of Corporate Treasurers' guidelines on risk management and control of derivatives could hardly have been better timed. A succession of losses through the use of these complicated financial instruments has nurtured an impression that companies cannot handle them.

The ACT believes that the problems lie not so much in the complexity of the products as in a failure of control at a very basic level. The organisation, which groups corporate treasurers from the UK's largest companies, elevates one simple recommendation above all: "Strategies, policies and procedures for the use or trading of derivatives must be clearly agreed by senior management and at least endorsed by the board of directors."

Most non-financial corporations say they only use derivatives to hedge, or lay off their risk. But Mr Derek Ross, author of the paper and ACT chairman, argues thet hedging is an ambiguous concept which needs to be pinned down. A dealer takes a view of the market when deciding when and for how long to hedge.

The ACT policy document holds that management must not only agree a clear policy but "monitor and report all derivative activities, positions and exposures". That reads like a rather trite sentiment, but a basic failure of supervision lies behind many of the recent corporate losses.

Another important point is the need to provide for an internal check on treasury and dealers. This separate risk management function should ensure compliance with limits to exposure and independent reporting to management.

Some treasurers maintain that the ACT's recommendations are over the top and the public hysteria is overheated. The sanguine view is that derivatives, complex and misunderstood as thay are, get more than their fair share of blame for losses. For every loser there is a winner, analysts stress, but the winners stay silent.

Companies have proved perfectly capable of losing large sums of money, not on exotic derivatives, but simply because of movements on underlying markets. Rolls-Royce, Laker and Lyons lead the list of examples. Only rarely is it mentioned that a company should have used derivatives to hedge its exposure.

There may be no boardroom panic about derivatives but there is concern. For a start, about one-tenth of UK treasury departments still trade for profit, according to surveys of

DERIVATIVES

corporate treasurers, and thet can also expose them more to losses. Speculating treasurers can always do damage but highly leveraged derivatives can allow them to wreak particular havoc.

It is also possible to lose money on a standard but mis understood hedge. A company can misjudge its underlying exposure. It could, for example, over-estimate its sensitivity to interest-rate movements and over-compensate.

And some treasurers still experiment with complicated instruments which are beyond them. "There is very good and strong sales pressure," says Mr Les Halpin, of Record Treasury Management, the risk management research company. "And it is natural human nature: a treasurer wants to try things out."

The roll-call of corporate losses on derivatives is nevertheless having a salutary effect on practices. "It will make people that much more cautious, that much more diligent," says Mr Paul Reyniers of accountants Coopers & Lybrand.

Ahead of the ACT guidelines a trend towards more robust and explicit controls is already in evidence. Some companies have, for example, restricted the use of certain instruments such as the short option.

Corporate treasurers are evaluating their positions more frequently. This practice of "marking to market" can be misleading, some companies claim, and some of the more complicated instruments are hard to value. The Record survey showed only 28 per cent of surveyed corporate treasurers marked to market every day or week. Marking to market is nevertheless becoming more common as a guide.

Management can rein in their central treasury units but many of the most crippling derivatives losses have been inflicted by rogue subsidiaries. "There are people in subsidiaries that can sell the company," says Mr Reyniers. Companies are therefore tending to insist that units, as well as filing the usual monthly balance sheet, also state their off-balance sheet positions.

Corporate treasurers and board members are also taking to heart the message that they should not be using derivatives if they do not understand them. "If you don't know what you are doing you are dead," says Mr Richard Desmond, corporate treasurer of BAT Industries, the UK tobacco and financial services group.

Some clients have blamed their misapprehension on investment banks for giving bad advice. Fewer than half of the corporate treasurers interviewed by Record said sellers of derivatives explained their products adequately. In the US both Procter & Gamble and Gibsons Greetings have sued Bankers Trust, a leading derivatives dealer.

However, companies' dominant reaction has been to put their own housa in order. While there has been no obvious fall-off in overall use of derivatives, a gentle shift has taken place: from the captions and swaptions that bewildar the uninitiated towards simple, "plain vanilla" products that can be easily explained to superiors.

Explanation is easier if executives have solid basic knowledge. Workshops, seminars and conferences on derivatives for corporate treasurers have proliferated. A finance director attending one accountancy firm's course said: "My treasurer wants to use more derivatives. I just don't feel comfortable. She could be doing something crazy and I would never know."

Of course a board may endorse a risky move in the derivatives market. In that case there are no guarantees. The most Mr Ross can do is to argue: "If a company wishes to adopt such a hazardous policy it should at least be disclosed to shareholders."

Nicholas Denton

NSK in joint venture with US group

By John Griffiths

NSK, the Japanese motor components and bearings group, is forming a joint venture with Ingersoll-Rand, the US multinational, to launch a broader attack on Europe's 15m-plus units a year market for vehicle steering columns.

The equally-owned venture, Nastech Europe, initially will pool the resources of Torrington, Ingersoll-Rand's automotive subsidiary, and NSK's steering column manufacturing facilities in the UK.

Later they will consider adding capacity in continental Europe. Torrington amploys 400 people at Coventry and NSK employs 160 people at Peterlee in north-east England.

The two plants have a combined turnover of £35m to £40m ($22.3m-$25.5m) a year.

Torrington supplies traditional European customers such as Ford and Rover. The Peterlee facility supplies mainly Japanese transplant operations, notably Nissan at Sunderland, Toyota in Derbyshire and a Suzuki venture in Hungary.

Together they account for about 15 per cent of Europe's steering column markat, according to Mr Chris Thomas, the new company's managing director.

Large independant rivals include ZF of Germany. But about 50 per cent of demand is currently met by vehicle makers' in-house production.

However, executives of Nastech Europe, which will start operations early next year, say they believe that the trend of vehicle manufacturers increasingly to out-source components should provide good growth opportunities in the sector.

Deal lifts Continental Cablevision's network to 4m subscribers

US cable-TV group in $1.4bn buy

By Tony Jackson in New York

Continental Cablevision, the third largest US cable-TV company, is to buy the cable operations of Providence Journal in a deal valued at $1.4bn.

Continental, which is privately owned, also plans to go public when the deal is closed next year.

The cable properties of Providence Journal, a diversified communications company which is also privately owned, are in seven states across the USA. Five of them are close to Continental's cable operations, the companies said.

The purchase will edd 750,000 subscribers to Continental's network, giving it e total of about 4m.

This still leaves it in third place after Tele-Communications Inc and Time Warner.

Continental will take on $755m of debt and issue stock to Providence valued et about $645m. It is believed this will give Providence 18 per cent of Continental's equity.

Some 55 per cent of Continental will then be owned by the company's founder, Mr Amos Hostetter, and by fellow executives, with the balance held by institutions. The subsequent flotation is planned for the middle of next year.

Continental refused to comment yesterday on reports that it had considered and then dropped a separate plan to give a substantial share of its equity to US West, the regional telephone operator.

Continental has so far avoided the general move by the big cable companies into the US telephone market.

Last month TCI joined forces with Comcast and Cox – the fourth and sixth biggest cable operators – and Sprint, the long-distance telephone company, to bid for mobile communications licences.

Time Warner is entering the telephone market independeotly, and also has an alliance with US West.

The latest deal illustrates the trend in the cable industry towards consolidation. This results from competitive pressures between cable and telephone operators and from recent government-imposed cuts in prices charged to cable subscribers.

Otber smaller cable companies are believed to he looking for alliances with larger partners.

Creditors of O&Y find investor for energy unit

By Bernard Simon in Toronto

Creditors of Olympia & York, the failed Canadian property developer, have found an outside investor to inject badly-needed capital into Gulf Canada Resources, the oil and gas prodncer formerly controlled by O&Y.

Torcb Energy Advisors, a Houston-based investment management gronp, will pay C$300m (US$214m) for 55m newly-issned units, each comprising one Gulf common share and a one-quarter warrant to bny one sbare at C$6.25 over the next two years. The warrants, if exercised, would raise another C$86m.

The deal will allow the international lender group, led by Hongkoog and Sbanghai Banking Corporation, Crédit Lyonnais, Royal Bank of Canada and Dai-Ichi Kangyo, to cut its stake in Gulf Canada to 52 per cent from 70 per cent. Torch will have a 25 per cent interest.

Torcb also has an option until December 9 to make an offer for Gulf shares held by tbe banks and other shareholders for C$5.38 each. This is significantly higher than the C$4.50 at whicb Gulf shares were trading on the Toronto stock exchange immediately prior to the announcement.

O&Y pledged its Gulf shares to the banks as partial collateral for a US$2.5bn syndicated loan. Tbe banks seized the shares when O&Y collapsed in 1992.

Mr Ken Croft, analyst at Levesqne Securities in Calgary, said the banks have faced a dilemma: "They believe there's more value in the company than the current share price suggests. Bnt to realise that gain would require someone to pnt in extra money."

Gnlf bas extensive operations in western Canada, northern Russia and Indonesia. It prodnced an average of 93,500 barrels a day of liquids and 296m cubic feet of natural gas in 1993. Bnt the company has lost more than C$400m since 1990, and has C$1.7bn of debt.

NEWS DIGEST

Metsä-Serla to invest FM2bn in paper machine

Metsä-Serla, the Finnish pulp and paper group, plans to invest FM2bn ($421m) in a new paper machine at its Kirkniemi plant in Finland, writes Christopher Brown-Humes in Stockholm. The machine, due to begin operations in late 1996, will be able to produce 300,000 tonnes a year of double-coated fine paper.

This will raise the company's total annual capacity for graphic printing papers to 1m tonnes.

Mr Timo Poranen, chief executive, said the investment was based on rising demand for coated offset printing papers, where growth of more than 5 per cent a year was expected hatween 1994 and 1998. He stressed the group intended to maintain a strong balance sheet.

This is one of the biggest single capacity additions to be announced by a Finnish forestry group in the past three years.

However, it may increase fears that tha industry is heading for a new investments boom now that it is back in profit and prices are rising strongly.

The downturn in the pulp and paper cycle between 1991 and 1993 was mainly caused by over-capacity.

Karstadt warns of 'marked fall' in profits

Karstadt, Germany's biggest retail group, yesterday warned there would be a "marked fall" in profits for the year because of stagnant consumer demand, writes Michael Lindemann in Bonn.

The group said turnover had risen 30.8 per cent to DM19.4bn ($12.48bn) in the first nina months of tha year following the takeover of Hertie, the country's third-biggest retailer. Sales at Karstadt itself fell 5.8 per cent to DM8.45bn, while Hertie's turnover dropped 2.8 per cent to DM3.27.

Karstadt's travel services were virtually the only sectors able to report sales increases.

While most of the German economy is pulling out of its worst post-war recession, retailers have yet to benefit.

Next year is not expected to improve because of new taxes and a national pay round which is not seen as likely to boost wages significantly.

Hong Kong exchange chooses DTB system

Hong Kong has chosen the trading and clearing system of the German futures and options market, Deutsche Terminbörse (DTB), for its planned traded options market, the DTB said, writes Andrew Fisher in Frankfurt.

Mr Edgar Cheng, chairman of the Hong Kong exchange, said DTB's system had been selected as the most suitable for the Hong Kong market after it had also looked into many other systems. "The stock exchange will now be able to move ahead towards the introduction of our traded options market in the third quarter of next year," Mr Cheng said.

Mr Jörg Franke, DTB general manager, who signed the contract with Mr Cheng yesterday, said this was the first step in a long-term relationship between the two exchanges. He said the system developed by DTB, the world's largest fully computerised options and futures exchange, had handled more than 600,000 contracts a day at peak times.

McLeod Russell takes control at UCI

McLeod Russell, part of the Khaitan group tea plantation group, yesterday completed its purchase of a controlling interest of Union Carbide India (UCI) when it paid Rs2.9bn ($92.45m) for the 50.9 per cent holding held by Union Carbide Corporation of the US, writes Kunal Bose in Calcutta.

The payment was received by Sir Ian Percival, trustee of the Bhopal Hospital Trust to which Union Carbide had entrusted the controlling block of UCI. Sir Ian said: "The Trust will now get down to building a Rs1.2bn hospital for the victims of the 1984 Bhopal gas disaster."

McLeod Russell will now be making an offer to buy the shares of UCI from the minority shareholders at Rs175 a share, the price it paid for the Union Carbide holding.

In the first six months to September 1994, UCI made net profits of Rs79m, against Rs55m in the same period last year. Turnover rose to Rs1.7bn from Rs1.58bn. The company has about 45 per cent of the Indian dry cell battery market.

Bankwest advances ahead of sell-off

The Bank of Western Australia, which is due to be privatised by the state government but already has an unwanted buyer in the form of the smaller Challenge Bank, yesterday announced a profit after tax and abnormals of A$82.7m (US$63.12m) for the year to the end of September, against A$37.3m the previous year, writes Nikki Tait in Sydney.

Professor Ross Garnaut, Bankwest chairman, said the bank was ready for a full flotation, and that this would be a less risky option than a merger with Challenge.

Russian cigarette deal

R. J. Reynolds Tobacco International has acquired a controlling interest in Armavirtabak, a Russian cigarette manufacturing company, AP-DJ reports.

Financial terms were not disclosed.

Armavirtabak, which now will be known as RJR-Armavirtabak, has a capacity to produce 4bn cigarettes annually and employs about 450 people.

R. J. Reynolds said it planned to expand RJR-Armavirtabak's manufacturing capacity to include American-blend cigarettes such as North Star.

Videotron falls despite 10% sales increase

By Robert Gibbens in Montreal

Expanding cable-TV operations in Canada and the UK enabled Videotron to report a 10 per cent rise in revenues for the year ended August 31, but higher depreciation and continuing problems in domestic broadcasting depressed profits overall.

Nat profit was C$20.5m (US$14.6m), or 11 cents a share, down from C$25.1m, or 15 cents a share, a year earlier on revenues of C$641m against C$584m.

Videotron has been investing heavily in its cable and telecommunications francbise areas in southern England, leading to higher depreciation and amortisation.

However, Videotron said the UK unit would contribute more in 1995 and eventually be a significant source of income and cash flow.

Videotron will also start up a trial commercial cable/multimedia system in Quebec this entumn and is expanding rapidly in the US.

● Newbridge Networks, a specialised telecommunication equipment maker, posted a second-quarter profit of C$45.3m, or 56 cents a share, on sales of C$191m, up almost 50 per cent. First-balf profit was C$87.2m, or C$1.08 a share, up from C$69.1m, or 87 cents, on sales of C$363m against C$243m.

Study highlights differences in French and UK acquisitions

By Andrew Jack in Paris

Frencb companies are more strategic in their acquisition of businesses while their UK rivals are more obsessed with detailed numbers, according to a survey published yesterday by Coopers & Lybrand, the UK accountancy firm.

More than half of the French companies surveyed considered consolidating their core business as the principal reason for buying others – at the expense of carrying out much financial analysis, the survey showed.

Acquirers tend to be haphazard in the way they buy other companies, with time frames and deadlines often imposed by the target husiness. In ooe-third of cases, there was oo due diligence to assess tbe companies, and one-third bad no direct cootact with the target before making an offer.

Mr Alec D'Janoeff, chairman of Coopers' French market sector group, said: "British acquisitions are all very calculated while the French make their decisions on strategic grounds. I believe it reflects a different intellectual approach to doing business. Both have their advantages."

The findings were based on interviews with a represeotative sample of executives in Freocb and UK companies. These sbowed that 70 per ceot of Frencb companies did oot develop a plan to cope with integration until after an acquisition had taken place.

In three-quarters of the cases studied, the mergers and acquisitions had been supported by the target's board of directors and was not in any way bostile.

Mr D'Janoeff said one of the implications of the study was that UK-based multinationals sbould be prepared to pay a premium when acquiring Frencb businesses if tbey wanted to be able to compete against Frencb rivals interested in a target primarily for strategic reasons.

Capital increase for Von Roll

By Ian Rodger in Zurich

Von Roll, the troubled Swiss steel and engineering group, said it would slash its SFr184m ($140m) equity capital by 90 per cent and then increase it to SFr190.9m through a rights issue to shareholders and bondholders.

This is the second significant restructuring programme in less than a year for the group, in which Proventus, the Swedish industrial investment group, has a 28.1 per cent stake.

Von Roll said in a statement that this latest capital injection was made necessary only by continuing troubles at its toxic waste disposal plant in the US. Other operations were recovering as planned.

The waste plant's start-up last year came two years late because of blocking manoeuvres by environmentalists, and some of its sensitive equipment froze during a cold snap last winter.

Recently, it has suffered from a slump in the market, and Von Roll said yesterday that it would continue for some time to incur losses.

The registered shares and participation certificates would be abolished, creating a single class of SFr10 bearer shares.

Shareholders would be given a subscription right to the upcoming capital rise at the rate of 11 new shares at SFr25 for each SFr100 nominal of existing capital. The board would be reduced to five from the current nine members.

Von Roll said it would suffer a loss this year, its fourth in succession, but expected to report a modest gronp net profit in 1995 and a satisfactory profit in 1996.

CSA adopts a new flight plan

The Czech airline is seeking a domestic partner, writes **Vincent Boland**

Czechoslovak Airlines, the Czech Republic's loss-making natinnal airline, is hoping an injection of government money and a new approach to future partnerships will help it ride out the most turbulent period in its 71-year history.

CSA, majority-owned by Czech state institutions, has been tackling two problems – the search for new partner following the split with Air France, and the struggle to meet finance requirements on its Airbus leases.

CSA split np with Air France, its strategic partner, in March, after the government paid $27m to buy out the French airline's stake. It has tried to forge another alliance with an airlina, but without success.

It has now adopted e new approach: the search is on for a Czech investor, such as a financial institution, willing to pump mooey into the airline.

The Airbus leases that are at the core of CSA's problems were signed early in 1989 at the peak of the aircraft leasing boom and before the democratic revolution in the former Czechoslovakia.

"It has been clear for some time that CSA is not able to carry the cost of these leases," says Mr František Slabý, the airline's executive vice-president for finance and planning.

The Airbus lease represents about 10 per cent of CSA's total cost base, he adds.

The carrier, however, is to receive an interest-free loan of Kcs585m ($21.3m) from tha government to help it discharge immediate leasing payments on two Airbus A310-300s.

CSA has negotiated new terms for its Airbus leasing payments

In addition to the loan, the airline has managed to renegotiate the leases so that its annual repayments will be cut to Kcs600m a year from now until they expire in 2001. This will save it Kcs200m annually.

The airline also leases five Boeing 737-500s and four ATR 72-200s, which it acquired in 1992 and which cost Kcs700m annually.

CSA hopes the new lease arrangements will convince a local investor to coma on board.

It has beld talks with several Nortb American end east Asian airlines, but its financial woes and a lingering bitterness over Air France's withdrawal have forced it to abandon that route.

Instead, Mr Slabý says, CSA is talking to Czech investors, ooe of which is likely to acquire some or all of the 48.99 per cent stake in the airline held by the Netional Property Fund, the Czecb government body that owns companies being privatised.

, Mr Slabý says this investor would most likely be a Czech financial institution, and that a deal could be finalised next year.

"There are [Czech] institutions able and willing to be financial partners with CSA," he says.

A possible partner is Ceská Pojišt'ovna, the partly privatised Czech insurance company thet owns 4.5 per cent of CSA.

CSA will, however, continue talks with other airlines on route-sharing, passenger incentives and catering services. Delta Airlines of the US has been touted as a likely partner in this area. Howaver, Mr Slabý says his airline is talking to four or five parties.

A third likely alliance would involve a technology and know-how agreement with another airline or service company. The final say on these developments rests with the government, whose anger at the Air France pull-ont has been partly assuaged by CSA's improving financial performance.

The company has reduced losses in the first nine months to Kcs215.2m, compared with a loss of Kcs738.3m in the same period last year. In fiscal 1993 CSA lost Kcs1.5bn after tax.

Passenger numbers have been rising since March, ironically coinciding with the Air France pull-out, while capacity ntilisation is also up on last year, peaking at nearly 75 per cent in August.

By the end of the year CSA will have 20 aircraft. Six Russian Ilyushin Il 62Ms were withdrawn from service at the end of October, but in addition to the western-built aircraft it also has four Tupolev Tu 154Ms and three Tu 134As.

It has recently taken delivery of two ATR 42s on operating leases for service on short-haul routes.

In spite of lower losses, the leasing commitments make the need for CSA to find a new backer urgent. The European Bank for Reconstruction and Development, which was Air France's partner in the high-profila $60m investment in March 1992, says it will soldier on as a long-term investor, despite losing its board representation.

The EBRD too must be hoping CSA's new plans will provide an early solution to the airline's problems.

INTERNATIONAL CAPITAL MARKETS

Treasuries post strong gains as sentiment swings

By Lisa Branston in New York and Martin Brice in London

US Treasury prices posted impressive gains on the heels of a weakening equities market as investors switched from stocks to bonds in search of higher yields.

At the close, the benchmark 30-year government bond was up 11/32 at 94 20/32, yielding 7.912 per cent. At the short end of the market, the two-year note was unchanged at 99 21/32, yielding 7.165 per cent. The market closed at 2pm local time for the Thanksgiving holiday and will remain closed all day today.

After another sharp fall in the Dow Jones Industrial Average yesterday and losses in European and Asian equity markets, the long-bond yield fell below 8 per cent for the first time this month.

Mr Joseph Liro, chief economist at S.G. Warburg, warned, however, that there is no guarantee yields will remain this low.

"If the equity market stabilises in the next week, bond yields will go right back through 8 per cent like a hot knife through butter," he said. For the moment, he added, bond market investors have both eyes on the equities market. For nearly all of this year the stock market has taken its lead from the bond market.

Late Monday afternoon, as share prices tumbled, however, the two markets moved apart as bonds benefited from the same fears of rising interest rates that hit equities.

Mr Liro attributed most bond market gains to speculation rather than the much-talked-about asset reallocation, because most of the buying seemed to be in long bonds, which are normally not havens

GOVERNMENT BONDS

for investors worried about rising short-term interest rates. Some traders, though, reported signs of buying in the 10-year sector of the market.

Markets hardly took notice of new economic data. The Commerce Department reported that durable goods orders declined 1.5 per cent in October from September. Analysts had expected an increase of about 0.1 per cent. Much of the decline, however, came from a drop in car and aircraft orders. Excluding transport, orders increased 1.1 per cent.

A drop in aircraft and car and truck orders caused transportation equipment orders to decline 9.4 per cent.

■ European government bond markets took their tone from the US yesterday, with stronger sentiment leading to rises in both German and UK government bonds.

One analyst said: "Inflation seems to be under control by the Fed and the risk premium is reducing in bond markets."

■ German government bonds followed the US rise and the December bund futures contract ended at 91.07, up 0.62 on the day.

Ms Alison Cottrell at Kidder Peabody said bunds had been supported by US Treasuries rather than the October M3 money supply figures, which showed an annualised rise from the fourth quarter of last year of 6.9 per cent, rather than the 7.3 per cent which some had expected.

■ UK government bond markets showed some strength and the December long gilt future had moved up 21/32 of a point to trade around 103 12/32 by late in the day.

Three tap issues of gilts worth a total £550m were exhausted yesterday. They were: £200m of 9 per cent due 2008 at a price of 104.18; £200m of 9 per cent due 2012 at 105.08; £150m of 2½ per cent index-linked due 2003 at 162.22.

Mr Kevin Adams at BZW said: "People may be feeling that bonds are back in fashion." He said investors had shrugged off hints of political uncertainty stemming from disagreements in the governing Conservative party over the UK contributions to the European Union budget.

He said: "Investors cannot believe any Tory MP will risk going to the country when they will so obviously get completely pasted."

■ The yield on 10-year Italian government bonds rose 3 basis points to 12.14 per cent.

Mr Simon Maggs at IBJ said the fall in price was due to further political uncertainty.

Competition steps up in loans sector

By Richard Lapper

Frogmore Estates, the UK property company, yesterday announced the successful syndication of a £150m loan arranged by Barclays.

As with another deal signed this week – a DM65m medium term loan facility for Pohjolan Voima (PVO), the Finnish power company – the terms provide further evidence of increasing competition in the loans market, where margins have fallen sharply during the past 12 months.

The Frogmore loan was priced at 60 basis points over the London Interbank Offered Rate (Libor), for the unsecured revolving credit facility, compared with about 100 basis points when the company last came to market in June 1982.

The money will be used to refinance an £80m revolving credit facility maturing in June 1996 and for general corporate purposes. Originally launched at £120m to relationship banks and a small group of international lenders, the loan was increased to £150m.

Mr Gavin Rody, of Barclays, said it had been easier to win support for the deal in the market than in 1992. "Two years ago the market was tough. This time it has been more comfortable," he explained.

Chemical Bank arranged the four-year loan facility for PVO, designed to refinance a DM65m facility signed in August 1993.

PVO will pay 35 basis points over Libor, compared with 95 basis points for the earlier deal, which was also arranged by Chemical Bank.

Banks participating in the PVO deal alongside Chemical, are all Japanese. They are Fuji Bank, Long-Term Credit Bank of Japan, Mitsubishi Trust and Banking Corporation, and Yamaichi Bank (UK).

PVO was assigned a AA rating by the Japanese Credit Rating Agency in October.

S.G. Warburg senior debt is rated A2 by Moody's

By Norma Cohen, Investments Correspondent

Moody's Investors Service said it had assigned a rating of A2 to the long-term senior debt guaranteed by investment bank S.G. Warburg Group, the first debt rating it has given for the group.

According to Moody's, the rating reflects the group's leading franchises in the UK and international equities markets, as well as its conservative financial structure.

However, the rating also reflects expectations that Warburg's competitive position will be increasingly challenged by other, much larger investment banks, especially in its overseas markets.

Moody's said that it expected competition for business to be particularly intense in developing markets, and the size of Warburg's much larger US competitors would give them powerful advantages.

According to Moody's, "a second challenge is for Warburg to decide on the appropriate volume and risk limits of its securities trading". The agency noted the volatility which trading on its own capital base has introduced into earnings.

Correction

IPE/LCE volumes

Average daily volumes traded at the International Petroleum Exchange and the London Commodity Exchange have increased this year.

At the IPE, daily volumes have increased to an average of 58,105 contracts a day, compared with 54,427 a day in 1993.

At the LCE volumes have averaged 15,502 a day, compared with 14,659 last year. A report yesterday implied that volumes were down.

Issuers choose defensive instruments

By Graham Bowley

Issuers on the eurobond market turned yesterday to defensive instruments in the face of volatility in government bond markets.

INTERNATIONAL BONDS

Issuance was mainly in dollars and investors showed demand for floating-rate notes and short-dated paper.

"The rally in US Treasury prices is likely to bring sellers to the market and put upward pressure on secondary market spreads," said one trader.

Another dealer said: "Spreads on lower-quality debt have already begun to widen and this could have a knock-on effect with investors switching out of eurobonds and into Treasuries in a flight to quality."

Monte dei Paschi di Siena, Italy's fifth-largest bank, launched a $200m offering of five-year floating-rate notes with a coupon of 18.75 basis points over three-month Libor.

Demand for the notes came from investors in Hong Kong and France, and from Japanese investment funds in London and Asia.

Citicorp launched a DM250m issue of five-year FRNs offering a coupon of 25 basis points over three-month Libor.

At the short end of the dollar sector, General Electric Capital Corporation launched a $200m offering of two-year bonds priced to yield six basis points over US government bonds and offering a coupon of 7⅜ per cent.

Lead manager Goldman Sachs said the deal was targeted mainly at retail investors and that most of the bonds were sold across Europe but with limited interest from domestic German investors.

In another deal targeted at retail investors, ABB International Finance launched a $200m offering of bonds due January 1997, priced to yield 20 basis points over US government bonds and offering a coupon of 7.5 per cent. "The two-year area of the dollar sector is where European investors want to be," said one trader.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Monte dei Paschi di Siena‡	200	(a)	99.90R	Dec.1999	0.20R	-	Swiss Bank Corp.
General Electric Capl. Corp.	200	7.375	99.96R	Dec.1996	0.125R	+6(7¼%-96)	Swiss Bank Corp.
ABB International Finance	200	7.50	99.98R	Jan.1997	0.15R	+20(7¼%-96)	ABN Amro Bank
Tubos de Acero de Mexico(b)	65	13.75#	99.75R	Dec.1999	1.25R	+640(7⅞%-97)	Bankers Trust Intl.
Challenge Bank(c)‡	50	(c1)	99.86R	Dec.1997	0.20R	-	CSFB/ SG Warburg Secs.
D-MARKS							
Citicorp‡	250	(d)	99.98R	Dec.1999	0.175R	-	Goldman Sachs
GUILDERS							
Banque Nationale de Paris	150	7.00	100.29R	Dec.1997	0.20R	+40(6¾%-97)	ING Bank
AUSTRALIAN DOLLARS							
NSW (Jersey)	200	zero	30.65R	May.2006	0.20R	-	HSBC Markets

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +3/16%. b) Puttable in 3 yrs at par. c) Issue launched on Tuesday was increased to $250m. c1) 3-mth Libor +35bp. d) 3-mth Libor +25bp.

Chicago futures volume surges as US stocks slide

By Laurie Morse in Chicago

The stock market slide on Wall Street on Tuesday prompted money managers to shift assets into higher-yielding securities, a shift reflected in rising volume in the interest rate pits of Chicago's futures exchanges.

Globex, the after-hours computer trading system owned by Reuters and operated by the Chicago Mercantile Exchange and Paris's Matif, logged record business starting at 2.30pm local time on Tuesday, shortly after the CME's eurodollar futures pit closed.

By the time the electronic trading session ended early on Wednesday morning, turnover had hit 24,365 contracts, by far Globex's best night.

"People moved in to buy eurodollars as the stock market fell," said the CME. Of Globex's total turnover overnight, 20,681 contracts were eurodollar futures. The Chicago Board of Trade's electronic after-market trading system, Project A, logged a record 11,000 contracts, mostly 30-year US Treasury bond futures, during the two hours it was open on Tuesday.

Tuesday night's volume surge also boosted the daytime volumes in Chicago futures trading. Trading that day pushed the CBoT's cumulative volume for the year above 200.6m contracts, a record for any exchange.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	08/04	91.7000	+1.950	10.36	10.53	10.45
Belgium		7.750	10/04	96.5300	+0.480	8.27	8.31	8.58
Canada *		8.500	06/04	83.7500	+0.500	8.09	8.10	8.14
Denmark		7.000	12/04	89.3000	+0.550	8.63	8.79	8.02
France	BTAN	8.000	05/98	101.8750	+0.250	7.35	7.47	7.65
	OAT	8.750	10/04	91.7100	+0.750	7.99	8.14	8.36
Germany Bund		7.500	11/04	100.8000	+0.730	7.37	7.40	7.71
Italy		8.500	08/04	81.2600	+0.200	11.79†	11.70	11.83
Japan	No 119	4.800	06/99	103.0940	+0.160	4.00	4.06	4.12
Japan	No 164	4.100	12/03	96.3680	-	4.67	4.74	4.78
Netherlands		7.250	10/04	98.4600	+0.400	7.47	7.56	7.68
Spain		8.000	05/04	82.3500	+0.400	11.08	11.20	11.27
UK Gilts		6.000	08/99	91-10	+11/32	8.25	8.41	8.60
		8.750	11/04	88-26	+16/32	8.42	8.55	8.92
		9.000	10/08	104-16	+21/32	8.43	8.57	8.86
US Treasury *		7.875	11/04	100-10	+37/32	7.83	7.94	7.88
		7.500	11/24	94-20	+47/32	7.97	8.06	8.06
ECU (French Govt)		6.000	04/04	84.6800	+0.550	8.41	8.52	8.77

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
Prime rate	8½	One month	5.51	Two year	7.20
Broker loan rate	6½	Two month	5.53	Three year	7.45
Fed funds	5½	Three month	5.44	Five year	7.68
Fed funds at intervention	-	Six month	6.00	10-year	7.85
		One year	6.58	30-year	7.99

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	111.94	112.16	+0.80	112.18	111.72	204,256	132,543
Mar	111.00	111.34	+0.80	111.34	110.92	6,156	30,403
Jun	110.12	110.46	+0.80	110.12	110.12	2	3,154

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Nov	Puts Dec	Puts Mar
110	2.16	2.30	2.35	0.01	0.94	1.94
111	1.18	1.56	-	0.02	1.31	-
112	0.26	1.11	-	0.14	1.80	-
113	0.03	0.73	-	0.64	-	-
114	0.01	0.43	-	1.44	-	-

Est. vol. total, Calls 44,942 Puts 20,109. Previous day's open int., Calls 313,563 Puts 278,151.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.98	90.80	+0.45	91.10	90.77	174826	163607
Mar	90.15	90.13	+0.49	90.28	89.98	18214	49853

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9050	0.40	0.55	0.66	1.03	0	0.92	1.25	1.40
9100	0	0.36	0.67	0.81	0.10	1.23	1.54	1.68
9150	0	0.23	0.50	0.62	0.60	1.60	1.87	1.99

Est. vol. total, Calls 37271 Puts 17608. Previous day's open int., Calls 285970 Puts 233342

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.40	100.44	0.40	100.50	100.18	25248	47395
Mar	99.30	99.30	0.39	99.35	99.09	1351	14060
Jun		98.30	0			0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9900	2.30	2.87	2.00	3.37
9950	2.04	2.46	2.24	3.66
10000	1.80	2.25	2.50	3.95

Est. vol. total, Calls 630 Puts 235. Previous day's open int., Calls 5864 Puts 6038

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.85	87.87	+0.38	88.00	87.78	40,907	82,334
Mar	87.00	87.08	+0.36	87.24	86.90	2,358	6,959

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102-30	103-07	+0-21	103-15	102-30	71925	99454
Mar	102-11	102-17	+0-22	102-21	102-10	12996	19902

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
103	0-14	1-30	0	1-60
104	0	1-02	0-50	2-32
105	0	0-44	1-50	3-10

Est. vol. total, Calls 6854 Puts 3249. Previous day's open int., Calls 67133 Puts 49979

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	81.60	81.76	+0.64	81.80	81.44	2,818	7,356

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	97-09	98-06	+1-03	98-11	97-09	194,463	372,261
Mar	97-00	97-20	+1-02	97-24	97-00	15,021	71,267
Jun	97-00	97-02	+1-02	97-05	96-28	1,171	12,479

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.68			108.77	108.66	705	0
Mar	107.84			108.10	107.84	2526	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Nov 23	Day's change %	Tue Nov 22	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	120.59	+0.24	120.31	2.05	9.83
2 5-15 years (23)	141.26	+0.63	140.38	2.01	11.49
3 Over 15 years (8)	158.77	+0.86	157.42	2.91	10.87
4 Irredeemables (6)	179.64	+1.11	177.66	0.94	13.47
5 All stocks (60)	138.38	+0.54	137.83	2.18	10.93
Index-linked					
6 Up to 5 years (2)	187.01	+0.13	186.77	0.72	5.07
7 Over 5 years (11)	174.51	+0.18	174.20	1.17	4.36
8 All stocks (13)	174.93	+0.18	174.62	1.12	4.41
Debentures and Loans					
9 Debs & Loans (77)	129.25	+0.81	128.21	2.08	10.27

	Low coupon yield Nov 23	Nov 22	Yr. ago	Medium coupon yield Nov 23	Nov 22	Yr. ago	High coupon yield Nov 23	Nov 22	Yr. ago
5 yrs	8.32	8.42	6.02	8.38	8.48	6.26	8.50	8.61	6.39
15 yrs	8.33	8.42	6.92	8.44	8.53	7.04	8.69	8.79	7.22
20 yrs	8.30	8.40	7.02	8.44	8.53	8.06	8.58	8.70	7.24
Irred.†	8.37	8.46	7.13						

	Inflation 5% Nov 23	Nov 22	Yr. ago	Inflation 10% Nov 23	Nov 22	Yr. ago
Up to 5 yrs	3.83	3.88	2.16	2.59	2.64	1.30
Over 5 yrs	3.83	3.84	3.14	3.63	3.65	2.96

	5 year yield Nov 23	Nov 22	Yr. ago	15 year yield Nov 23	Nov 22	Yr. ago	25 year yield Nov 23	Nov 22	Yr. ago
Debs & Loans	9.47	8.56	7.60	8.44	8.52	8.01	8.40	8.49	8.17

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 23	Nov 22	Nov 21	Nov 18	Nov 17	Yr ago	High*	Low*
Govt. Secs. (UK)	92.37	91.86	91.74	91.59	91.52	103.49	107.04	89.54
Fixed Interest	108.68	108.33	108.15	108.15	108.34	123.88	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 22	Nov 21	Nov 18	Nov 17	Nov 16
Gilt Edged bargains	126.5	152.5	145.0	174.4	106.3
5-day average	141.0	134.4	118.8	106.0	87.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅜	98⅛	+⅜	8.58
Alberta Province 7⅞ 98	1000	98⅝	99	+¼	8.04
Austria 8½ 00	400	101⅛	101⅞	+⅛	8.09
Bank Ned Gemeenten 7 99	1000	96	96¼	+⅛	8.03
United Kingdom 7¼ 97	5500	101	101¼		6.73
Volkswagen Intl Fin 7 03	1000	94¼	94⅞	-⅛	7.94
World Bank 0 15	2000	20¾	21⅛	+⅛	7.75
World Bank 5⅞ 03	3000	88⅝	88¾		7.68
World Bank 8¾ 00	1250	110⅝	111⅛	+⅞	6.35
Abbey Natl Treasury 6 03 £	1000	82⅝	82⅞	+⅜	9.29
Alliance Leics 11¼ 97 £	100	108⅛	108½		8.46
British Land 8⅞ 23 £	150	87⅞	88⅛	-1⅛	10.44
Denmark 6⅜ 98 £	800	94½	94½	+⅛	8.63
EIB 10 97 £	637	103⅞	104	+⅜	8.10
[illegible]					

UK GILTS PRICES

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Grimsby chosen ahead of Munich for £90m Tencel production plant

Margins slip at Courtaulds

By David Wighton

Courtaulds has chosen Grimsby, Humberside, as the site for its European production plant for Tencel, its new man-made fibre. The plant, which will initially create 120 jobs, will cost £90m, of which £10m has been provided as a grant by the Department of Trade and Industry.

Mr Sipko Huismans, chief executive, said it was "a very close run thing" between Grimsby and a site near Munich, where greater financial assistance was offered.

The decision was announced as Courtaulds reported a fall in pre-tax profits to £80.7m (£96.1m) for the half year to September 30. The result last time, however, was boosted by profits of £24.4m from the sale or closure of discontinued operations, partly offset by £4.1m restructuring charges.

Operating profits fell 3 per cent to £86.4m reflecting Courtaulds' inability to pass on sharp increases in raw materials costs, particularly for viscose and acrylic fibres. Mr Huismans warned that the effects would be more marked in the second half although it planned to increase its fibre prices by between 5 and 15 per cent from January 1.

"I am very confident that all will be recovered. Nothing goes up as rapidly as this without a rapid reversal."

Although demand was generally firm, operating margins in all three division slipped. But excluding the new European fibres joint venture with Hoechst the group figure was steady at 8.9 per cent. Turnover was flat at £1.03bn.

Earnings per share were 15p (14.8p) excluding exceptionals and the dividend is 4.15p (4p).

Profits from fibres and chemicals were little changed at £42m (£41m) held back by stiff competition, particularly in the US, and increased marketing and development costs on Tencel. As expected, these outweighed Tencel's trading profits but it is now making a positive contribution. Courtaulds announced a joint venture with Akzo Nobel to develop a filament yarn version of Tencel.

Polymer products profits dropped to £14m (£18m), reflecting the end of the light armoured vehicle contract, but coatings and sealants were unchanged at £36m.

Interest charges fell from £15m to £8m, thanks partly to the elimination of unwanted swaps. Capital expenditure rose to £69m (£55m).

Trevor Humphries

Sipko Huismans: holds his raincoat made from Tencel

● **COMMENT**

Courtaulds' shares have had a bad run over the last few months as the City has watched its raw materials costs soar. So the solid figures provided some reassurance. Although the impact will be greater in the second half, costs appear to have peaked and the other main fibre producers seem determined to push up prices. Courtaulds tends to outperform late in the cycle and as investors tire of the early risers its shares should make up lost ground. On a multiple of about 14.5, assuming full-year profits of £170m, they take little account of Tencel's potential.

Shares slip just 3p as Asprey falls to £3.01m

By Peter Pearse

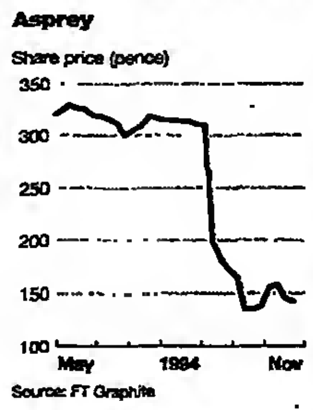
Shares in Asprey slipped a mere 3p to 141p yesterday – their smallest fall for some time in response to company announcements, press reports or market rumours.

This time the Queen's jeweller was revealing a sharp pre-tax profits tumble from £12.2m to £3.01m in the six months to September 30. Group turnover declined to £82m (£87.4m).

The downturn was foreshadowed in September when the company said the absence of a few high-spending customers would depress profits. That day shares fell 110p to 200p.

However, Mr Naim Attallah, chief executive, said that although the six months had been disappointing, with a lack of big-ticket sales in New York, Switzerland and Paris, the weeks since the warning had shown a small improvement.

Mr Arnaud Bamberger, managing director of Cartier in the UK, part of the Vendôme luxury products group, agreed that customers for the most expensive products were a "very small and confidential world" and, as such, volatile. However, he stressed that his company was not suffering similar problems to Asprey, "though nobody knows what will happen next year". Vendôme's interims are due out on December 2.



Asprey's share price has declined further since September, as the group has been buffeted by City rumours, which it has been swift to deny, and a leaked and altered memorandum from its bankers, the Bank of Scotland, about its financial position.

Mr Attallah said yesterday that he wanted to have a "good relationship with the City", but that if the shares continued to decline, "we will buy the shares back". The Asprey family speaks for some 52 per cent of the stock, lifted yesterday by 170,000 shares bought by Mr John Asprey, chairman, at 143p.

The expansion downmarket of the customer base was now over, Mr Attallah added.

Stock rose from an "ideal" £135m at the year-end to £147m (£127m), but should decline if recent trading improvements continue. Its most expensive item, a Burma ruby and diamond suite of jewellery, retails at more than £4m. Debt at September 30 was £35.6m, giving gearing up from 14.5 to 22.6 per cent. Mr Attallah said he was "happy" with that but would not want to see it rise further.

Interest payable was flat at £1.07m. Interest receivable and rents dropped to £392,000 (£1.08m). Earnings fell to 0.14p (8.04p) per share with the interim dividend held at 1.25p.

Northern banks to offer own financial services

By Alison Smith

The three UK banking subsidiaries of National Australia Bank – Yorkshire Bank, Clydesdale Bank and Northern Bank – are to become "bancassurers", selling their own financial services policies through their branch networks from late next year.

Their move marks a further sharpening of competition among high street financial institutions to sell life insurance and investment products to their retail banking customers.

The UK's two largest building societies – Halifax and Nationwide – are scheduled to launch wholly-owned life subsidiaries next year.

The products offered by the three banks will all be designed, processed and underwritten within National Australia Life, part of the parent organisation. But they will almost certainly be branded and marketed as products provided by each bank to its own customers.

Final approval for the project was given recently and the group has begun recruiting for its customer service centre in Glasgow.

At present, the three banks offer independent financial advice for life and investment products, but this is a small-scale and specialised service, involving only about 100 staff.

The intention is to meet the financial needs of most of the banks' 3.5m customers with a relatively simple range of products. Independent advice will still be offered as a separate, niche service for those whose circumstances are more complex.

Mr Ross Pinney, chief executive of National Australia Life, said he expected the banks to be able to meet the financial needs of a much higher proportion of their customers than at present.

"Many of our customers are not coming to us for financial advice, because they are not even aware that we offer life insurance products," he said.

The group should benefit not just via an extra stream of income coming through the branch networks, but also through keeping all the profit from manufacturing the policies as well as distributing them.

Higher raw material costs limit Waddington's advance

By David Blackwell

John Waddington, the packaging, printing and games company, yesterday warned that raw material price increases were putting margins in its packaging businesses under pressure.

Mr Geoff Gibson, finance director, said prices for some plastic polymers had risen by up to 70 per cent, with four increases in the US since April.

Operating profits for the six months to October 1 in the packaging division, which accounts for two thirds of group turnover, fell from £6.82m to £6.68m, in spite of an increase in sales from £72.1m to £82.2m. The latest figures include contributions of £433,000 to profits and £3.16m to sales for one month from Imca Beheer, the Dutch cartons business acquired in July.

The US food services business lifted operating profits from £2.7m to £3.4m, while the pharmaceuticals packaging business improved from £700,000 to £1.1m. These gains were offset by the food and drinks packaging sector, which fell £300,000 into the red (£1.4m profit).

Total pre-tax profits improved from £9.01m to £9.88m on the back of a rise in turnover from £118.2m to £122.8m.

The specialist printing division lifted operating profits from £1.46m to £2.17m on sales up from £22.9m to £27.2m.

Profits from games eased to £2.15m (£2.2m), held back by supply shortages in the new ranges of radio controlled toys and pre-school toys. Sales improved to £12.6m (£11.9m).

Earnings per share were static at 7.88p, after restating the previous earnings following the £42m rights issue for buying Imca. The interim dividend is 3.8p (3.68p).

● **COMMENT**

Raw material price rises for plastics, paper and board are unavoidable, and will soak up a lot of management time as very few of the group's contracts include automatic price increases. But they are not the sole reason that the City is cutting its forecasts for this year – the attempt to diversify away from margarine containers has not gone well. The cost of cutting capacity to meet demand will further damage profitability. Forecasts for the year have been reduced from as much as £25m to as low as £20m, giving a prospective multiple of 16, which looks about right, bearing in mind the disappointments and uncertainties.

Research Machines to join market

By Alan Cane

Research Machines, a supplier of computers and computer software to schools and colleges, is coming to the market through a placing likely to value the company at about £30m.

The company is expected to publish its pathfinder document later today.

The flotation is not intended to raise new money for the company, which has about £6.5m in the bank, but to raise the profile and enhance the reputation of a 21-year-old company which is still relatively unknown outside the UK education market. It is anxious to increase its presence overseas where a listing would give it greater credibility.

The flotation will also provide liquidity for existing shareholders including Citicorp, 3i, Kleinwort Benson and Rothschild.

Last year it reported pre-tax profits of £2.52m on turnover of £66.2m.

Harrisons seeks to rein in expectations

By Peggy Hollinger

Harrisons & Crosfield shares dropped 8 per cent yesterday as the chemicals, commodities and building supplies company sought to rein in profit expectations for the second consecutive year.

Mr Martin Anderson, finance director, said the expected recovery in pig prices had not materialised in the second half, and malt margins remained depressed. In addition, profits would be hit by a £10m rationalisation charge. As a result, he said, analysts' profit expectations might have been too high.

Harrisons had also sought to clear up confusion about the impact of disposals completed this year, which have netted the company about £134m.

Analysts cut profit forecasts from about £115m to less than £90m, excluding the disposal proceeds.

The share price dropped 13p to 149p, a far sharper fall than the 2 per cent decline in the overall market.

"It is a litany of mini-disasters," said one analyst. "The management is definitely on trial now." Last year forecasts were pulled back by about £5m after a similar trading statement.

The analyst speculated that further disappointment from Harrisons could leave it open to a possible takeover bid. It is known that at least one large company has examined the possibility of a break-up bid in the last 18 months.

Mr Anderson said Harrisons expected to incur losses of about £3.5m in the pigs business this year, similar to last time.

The chemicals division was having a mixed year, with pressure on margins from higher raw material costs in some sectors and solid advances in others.

Mr Anderson said that the UK building supplies business had experienced strong first-half growth. The US building supplies business was ahead of last year.

Profits from the Papua New Guinea plantation would be lower in the second half.

Attwoods hits at multiple in last BFI deal

By Peggy Hollinger

Attwoods yesterday sought to convince shareholders they should reject the hostile £391m cash bid from Browning-Ferris Industries of the US by claiming that the predator had paid a substantially higher price for its last major acquisition.

Mr Ken Foreman, chief executive, said in a letter to shareholders: "BFI's reference to an implied multiple for our US businesses of one times revenue conveniently takes no account of the implied multiple of two times revenues which it paid for its 50 per cent interest in Otto Waste Service (of Germany)."

Mr Foreman added that comparable US waste management companies traded on an average multiple of 1.9 times revenue, before taking account of a premium for control.

BFI is offering 116.75p per ordinary and 92p per preference share. It has promised to pay the 3.25p dividend proposed, to accepting shareholders.

Reed Executive leaps to £1.91m

By Richard Wolffe

A growing number of permanent jobs in the south of England contributed to a fourfold increase in pre-tax profits at Reed Executive, the UK's largest employment agency.

The company yesterday announced profits of £1.91m (£457,000) on turnover up 33 per cent to £30.8m (£23.2m) in the third quarter.

Mr Alec Reed, chairman, said: "Employers are worried about retaining staff and are valuing certain temporary staff more. This helps our margins because people are not so interested in negotiating fees."

Earnings per share rose to 2.7p (0.4p) in the quarter.

Morland advances to £9.7m

By David Blackwell

The continued success of Old Speckled Hen helped Morland, the Thames Valley-based brewer, to boost pre-tax profits by 9 per cent from £8.87m to £9.67m for the year to the end of September.

Production of Old Speckled Hen ale has reached 40,000 barrels, up from 5,000 barrels in 1992, when Greene King made a bid for Morland.

If the bid had succeeded, Greene King would have closed the Abingdon brewery. But demand for its beer has prompted Morland to invest £5m in its brewery over three years, culminating in a new brewing stream by Easter 1996.

Mr Michael Watts, managing director, said yesterday that the brewery had raised its ale production by 21 per cent in a market generally seen as being in decline. Old Speckled Hen accounted for £6m of the total turnover of £57.1m, 12 per cent ahead of a previous £50.9m.

The group plans to take the ale from a national brand to international recognition. Mr Watts said that by the end of the year, the company expected to have established an export business, with the US and Italy as prime targets.

Like-for-like profits on its tenanted estate were down by less than 2 per cent. Mr Watts said the business was under attack on three fronts – take-home sales, consumer imports of beer from France and the continuing effects of the recession.

Earnings were 32p (29.1p). A final dividend of 7.65p (6.96p) makes 10.71p (9.74p) for the year.

● Mr Jasper Clutterbuck, Morland chairman and chief executive, is relinquishing the role of chief executive in February, when he will be 60. Mr Watts will become chief executive, while Mr Clutterbuck will remain chairman.

Porton poised for takeover

By Paul Taylor

Beaufour Ipsen, the family-owned French pharmaceuticals company, should find out today whether its £65.5m recommended takeover bid for Porton International, one of the UK's first biotechnology companies, has been successful.

Shareholders holding 60.2 per cent of Porton's shares, which are traded under the Stock Exchanges's Rule 4.2, have already given irrevocable undertakings to accept the French bid, worth £13.40 in cash or notes. Of those investors, the largest stake is held by Mr Wensley Haydon-Baillie, Porton's founder and ex-chairman, who stands to receive about £24m for his 36.5 per cent stake in the private company.

Under a separate deal Beaufour will pick up an additional 6 per cent stake in Porton, lifting the total tranche covered by irrevocable undertakings to 66.2 per cent. Many of Porton's institutional investors, which sank £76m into the group during the 1980s but have been disappointed by its financial performance, are understood to be keen to sell their holdings.

Porton's management is expected to take an initial 22 per cent stake in Speywood Holdings, a company set up by Beaufour to make the acquisition. The French group has set a 3pm deadline today to receive more than 90 per cent acceptances for its offer, which has been recommended by Kleinwort Benson, Porton's financial advisers.

A potential rival offer for Porton from Scotgen Pharmaceuticals, the Anglo-US drugs company, has failed to materialise.

SmithKline to merge international divisions

By Daniel Green

SmithKline Beecham is to merge its three international divisions into one called SB Healthcare International.

The reorganisation covers all operations outside Europe and north America with total sales of about £1.3bn, 20 per cent of the whole business.

It combines the resources of SmithKline's consumer healthcare and pharmaceuticals divisions with the Sterling Health over-the-counter medicines unit acquired in August.

SmithKline will cut duplication of resources, especially in Asia and Latin America, but no figures were available yesterday.

The company used external consultants to evaluate which parts of each division would survive.

Mr Jan Leschly, SmithKline's chief executive, said that this was to ensure fairness. "We treated all three divisions equally. Sterling was not a second class citizen."

He acknowledged that this was "a surprise" for some people.

The reorganisation comes as the company completes a $7.7bn (£4.7bn) series of acquisitions and disposals culminating yesterday in the $1.45bn sale of its animal health business to Pfizer of the US.

Mr Leschly said that the reorganisation was a signal that the main management effort would now be on extracting the most from Sterling Health and Diversified Pharmaceutical Services, a US drug distributor, which have been acquired over the past six months.

West Trust expansion

West Trust, the specialist food group, reported a substantial rise in interim pre-tax profits from £172,000 to £736,000.

Sales in the six months to September 30 advanced to £10.8m. Last time's £4.92m included £2.31m from discontinued operations.

The interim dividend has been raised to 0.5p (0.2p) to reduce the disparity with the final payment. Earnings per share came to 1.24p (0.74p restated for share issue).

Division makes £9.6m cash call

By Paul Taylor

Division, the Bristol-based virtual reality computer technology company, is raising £9.6m through a 3-for-10 rights issue of up to 10.1m shares at 100p each.

The shares closed 13p up at 133p yesterday.

At the same time, Division, which was floated on the Stock Exchange in May last year at 40p a share, estimated that it would carry a pre-tax loss of not more than £1.44m in the year to October 31, against a £503,000 deficit last time.

The full-year loss, which reflects heavy investment in product development and marketing, was foreshadowed at the interim stage.

The company said yesterday that sales for the second half of the year, "have followed the trend of earlier years with strong underlying growth continuing."

Turnover for the year is expected to have more than doubled to £5.27m (£2.08m), boosted by strong growth in the group's blue-chip customer base.

Mr Charles Grimsdale, managing director, said the new funds would be used "to provide additional working capital and support the company's anticipated growth, including future products."

Since the flotation last year, which raised about £5m, Division has made considerable progress in the development of new virtual reality products and in particular, specialised 3-D graphics technology.

Last December it launched a new high-power graphics accelerator, based on technology licensed from the University of North Carolina.

The VPX accelerator uses thousands of tiny micro-processors working in parallel to compute images on a screen and has been sold mainly for engineering, training and scientific applications.

The issue has been underwritten by Albert E Sharp.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
ABI Leisure	fin	2.71	Jan 31	2.51	4.08	3.76
Abtrust High Inc	int	1.4☆	-	-	-	-
Adare	int	1.0385§	Mar 3	0.945	-	1.987
Amber Industrial	int	7	Jan 17	6	-	20
Asprey	int	1.25	Jan 27	1.25	-	6.05
Birkby	int	2	Jan 11	1.2	-	6
Chloride Group	int	0.1	Feb 9	nil	-	nil
Courtaulds	int	4.15	Jan 24	4	-	14.8
DCC	int	2.4‡	Jan 5	-	-	-
F&C Inc Growth	int	1.4	Dec 30	-	-	-
Fleming (Robert)	int	5.5	Jan 18	5*	-	16.7*
Granada Group	fin	6.67	Apr 3	5.725	10	8.76
Morland	fin	7.65	Jan 31	6.96	10.71	9.74
Sharelink	int	3	Jan 20	3	-	9
Tate & Lyle	fin	9.8	Feb 7	8.7	14.4	13
TR High Income	int	1.5‡‡	Jan 31	1.5	-	8
Waddington (J)	int	3.8†	Jan 19	3.68	-	8.5
Wagon Industrial	int	6.65	Feb 20	6.325	-	17.825
West Trust	int	0.5	Apr 1	0.2	-	2.5
Yorkshire Water	int	8.3	Feb 27	7.6	-	22.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence. ☆Second interim. ‡‡Third interim.

Water utility to lose a quarter of its workforce as profits fall 10%

Yorkshire cuts 600 more jobs

By Peggy Hollinger

Yorkshire Water yesterday announced plans to cut another 600 jobs. The latest cuts are in addition to the 400 redundancies announced four months ago, before the July price review.

The news came as Yorkshire Water reported a 10 per cent decline in interim pre-tax profits and the season's lowest percentage dividend rise so far for the sector.

Mr Malcolm Batty, finance director, said he expected further job losses in future but could not yet quantify their scale or timing.

Yorkshire, which in June announced 400 job losses for 1994, has decided to cut 100 more this year and another 500 over the next two years, accounting for about 25 per cent of the regulated utility workforce.

Yorkshire's profits were depressed by the £25m charge to pay for the rationalisation. This is in addition to the £10m

Malcolm Batty: expecting further job losses in the future

provision last year. It said it expected a two-year payback on the £35m provisions.

Pre-tax profits for the half-year to September 30 fell from £74.8m to £67.2m. Sales were 6 per cent ahead at £275.4m (£259.4m).

Profits were helped by a higher than expected reduction in the pipe maintenance charge from £35.4m to £23.4m. Cashflow was also enhanced by a substantial reduction to utility investment from £112m to £72m.

Yorkshire, along with other water companies which have reported so far this season, also announced plans to devote extra funds to issues such as foul flooding and discoloured water, which were not allowed for in the price review. The company said it would devote £316m this year to such discretionary spending.

The core utility business reported an 11 per cent decline in operating profits, after exceptionals, to £72.2m on sales 4 per cent ahead at £249.1m.

The non-regulated activities contributed pre-tax profits of £1.2m against £900,000 last time.

Yorkshire increased its interim payout by 9.2 per cent to 8.3p and said it intended to maintain dividend growth of at least 5 per cent above inflation for the next five years. This would be achieved without substantially eroding its dividend cover of about three times, the group said. Earnings fell as a result of the exceptionals from 36.1p to 31.9p.

● **COMMENT**

The market's reaction to a better than expected payout and the promise of at least 5 per cent real dividend growth to 2000 might be seen as rather ungrateful. However, there is a perception that Yorkshire has been held back by fears that higher dividend growth would rekindle local controversy and further damage its battered public image. Financially, Yorkshire is one of the strongest water and sewerage companies and it could afford to increase the payout by substantially more. There is also the argument that dividend cover should be lower than the 3.4 times projected by analysts for the year 2000. Forecasts are for about £157m this year after exceptionals. The group's non-core success and strong financials make Yorkshire a solid hold, in spite of a yield just below the sector average.

A Fisher chief could get £0.6m

By William Lewis

Mr Stephen Walls, the chairman of Albert Fisher, the food processing and distribution group, will be paid a minimum of £464,000 this year and could earn up to £618,000.

One of the main components is a lump sum pension payment which will total £155,000 this year. Under Mr Walls' two-year rolling contract the company must each year pay the equivalent of half his basic salary into his company pension scheme.

On September 1 Mr Walls' basic salary was increased from £300,000 to £309,000. On top of this he is also eligible for an annual bonus which could be as much as half his basic salary.

Payment of the bonus is dependent on group performance and on Mr Walls meeting 11 personal objectives during this year. They include:

● "Ensure that by the end of the year the group has no operations losing money (unless new start-ups specifically approved by the board)".

● "Continue to raise the general morale and motivation of personnel at all levels".

● "Putting in place planned major head office cost reductions in line with plan".

The details are in documents available for inspection by shareholders ahead of the AGM on December 14.

Mr Walls' total pay last year rose by 44 per cent to £514,000. The annual report for the year to August, published yesterday, said this included a £150,000 pension payment, without revealing that he has a contractual entitlement to a similar sum each year. It also disclosed that he received a £48,000 bonus last year "based on the achievement of stated personal objectives".

Robert Fleming makes 6.3% midway advance

Robert Fleming Holdings, the UK-based investment bank, yesterday reported a 6.3 per cent rise in pre-tax profits for the six months to September 30, thus defying an industry trend which has seen earnings hit hard by turbulent stock and bond markets, writes Norma Cohen.

Jardine Fleming, the group's 50 per cent owned Hong Kong-based investment banking subsidiary, contributed roughly 40 per cent of total profits, up from about a third in the same period last year, according to Mr John Manser, group chief executive.

Pre-tax profits for the privately owned investment banking group rose to £97.4m (£91.6m) with the investment banking sector contributing a marginally lower £46.8m (£49.7m).

However, Mr Manser warned that the group was unlikely to match the £71.8m earned in its investment banking division in the second half of last year, so that annual profits would be lower overall. "I'd like to think we could, but in all honesty, it is not likely."

In its investment management business, the group earned pre-tax profits of £48.6m, up 16 per cent from £41.9m. Assets under management increased from £49.5bn to £50.2bn. This represents a net cash inflow of about £2bn, mostly from retail accounts in the UK, US and Europe, which was offset by a 3 per cent drop in the value of the investment portfolio.

Mr Manser said that in Fleming Investment Management's core UK business "we have staunched the flow" of pension clients who had been leaving the firm due to lacklustre investment performance, although it would be some time before significant new business was attracted.

Fleming recently recruited a new chief executive to its asset management division, Mr Ken Inglis, who has made several internal changes.

Far East strength pays off

Norma Cohen on how Fleming is bucking the trend

Turbulent world markets have been unkind to the investment banking industry this year, although Robert Fleming Holdings appears to be bucking the trend.

Yesterday Fleming said its pre-tax profits rose by 6.3 per cent to £97.4m and that, moreover, its investment banking division's profits were off only slightly from last year's level. Investment management, which includes a US-based joint venture with mutual fund company T Rowe Price, contributed to the group's earnings stability with a 16 per cent profits rise.

Significantly, much of the asset growth came from retail products, especially in the US, where investors are increasingly keen to buy non-domestic investment funds.

Mr John Manser, group chief executive, attributes the group's ability to withstand the current tough markets to two key factors. "Our businesses are very well spread. We are in both retail and wholesale markets and we have a good geographical spread. We operate in 32 markets and not all of those do the same thing at the same time."

And, perhaps most critically, Mr Manser says: "We have strength in the Far East through Jardine Fleming."

Jardine Fleming, the investment bank owned jointly with Jardine Matheson, had post-tax profits of $111m (£67.6m) for the six months to June 30, a 44 per cent increase on last time.

Mr Manser says the firm's strategy, unlike that of some of its competitors, is to grow globally through joint ventures, such as that with Jardine Fleming, rather than to try to set up new operations with a high cost base. "We would rather have a smaller part of a bigger whole than a larger part of a smaller whole."

He said the group's resilience partly reflected its success in integrating the business generated from London into its joint ventures around the world. These also include a 50 per cent stake in leading Australian stockbroker Orde Minett and a South African joint venture with Martin and Co.

The structure allows decision-making to take place at the local level, where management is likely to be better informed about conditions. "It relieves the strain on management," he says. "Running a global business from a single spot will eventually overwhelm the management." There are only two key decision-making committees within Fleming: a seven-member body at the Group headquarters in London and a similar-sized group at Jardine Fleming.

"There is a strategic issue here," says a securities analyst with a rival investment banking firm. "The strategy of being in a niche business and being risk averse is likely to be more successful long-term than the integrated houses, who are taking a risk-based approach."

And, perhaps most significantly for the current round of earnings, Fleming has no market making capacity in UK equities and little of it within Europe. Instead, it has concentrated on its role as an agency broker, although it is building selected distribution and research capacity for European shares.

However, Fleming is not entirely risk averse, according to its competitors. It has been strikingly aggressive about bidding for capital markets business, particularly in the privatisation field. According to Euromoney Bondware, an industry database, Fleming and its Jardine Fleming venture were the leading bookrunner for Asian equity and equity-linked deals in 1993 and 1994; and according to Acquisitions Monthly, it ranks third in advisory business for UK public takeovers so far this year.

Earlier this autumn, Fleming drew gasps from some of its competitors for agreeing to act as global coordinator for a $900m international distribution of warrants for newly privatised Pakistan Telecom. Pakistan asked a group of banks to bid for the business – whose most recent accounts were two years old – without a due diligence review.

"Of course we had some reservations about that fact but from our analysis, in relation to other Asian telecom companies, we felt it was good value," a Fleming official explained.

While many competitors backed out, Fleming took the business on, although shortly after it had distributed the warrants the price fell sharply. This reflected a correction of information which had appeared in the domestic prospectus which had been misinterpreted by foreign investors.

Chloride makes £14m security buy

By Geoff Dyer

Chloride Group's transformation from a batteries business into an electronics group was reinforced yesterday by the acquisition of ADE Group, an electronic security business, for up to £14m.

Mr Keith Hodgkinson, Chloride chief executive, said that the acquisition would enhance earnings per share and generate cash.

Chloride also reported pre-tax profits of £1.04m for the six months to September 30 and a return to the dividend list with an interim payment of 0.1p, the first since the 1989-90 interim.

The profit compared with £1.32m, which included operating profits of £1.1m from the seven battery businesses in central Africa which were sold in the second half of 1993.

ADE manufactures control panels for alarms and distributes electronic security alarm products. In the year to April 30 it made pre-tax profits of £1.35m (£1.54m) on sales of £18.5m (£15.1m).

The vendors, principally Mr James Chadwick, chief executive, and Mr Graham Whitehead, deputy chief executive, will receive a £1.5m distribution from ADE and an initial payment of £5m, satisfied by £4m cash and 4m shares.

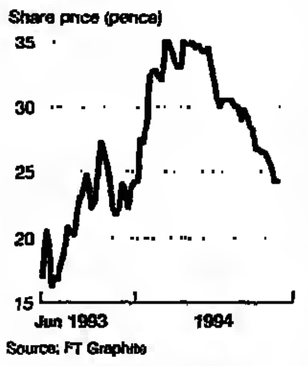
There is a further deferred profit-related £7.52m, satisfied by loan notes.

Turnover was £50.6m with £2.47m from acquisitions, against £51.8m, which included £9.07m from discontinued activities. As a result of the divestments, tax fell to £415,000 (£987,000) and minority interests to £13,000 (£210,000) giving attributable profits of £608,000 (£124,000) and earnings per share of 0.3p (0.1p).

Mr Hodgkinson said: "We are now in a position where we feel confident about returning to the dividend list."

In the core electronics business operating profits, excluding Ondyne, the power supply business it bought in April, rose to £1m (£508,000) on sales up 14 per cent to £43.5m.

Margins and sales in the uninterruptible power supplies business increased and the emergency lighting sector returned to profit for the first time in four years. The power conversion business continued to make losses.



RJB has 'overestimated demand for coal by 20%'

By Michael Smith

RJB Mining, the coal company bidding to take over the English mining assets of British Coal, has overestimated by 20 per cent the demand for coal by English power generators in the late 1990s, according to an analysis published today.

Coal UK, the Financial Times newsletter, says the company has also made too little allowance in its calculation for the role of private coal producers which will be its competitors.

Coal UK estimates the generators will buy 23.9m tonnes of coal from English coal suppliers in 1998-99, whereas RJB says a conservative projection should be about 28.9m tonnes.

"While the RJB case is its pessimistic view, our forecast is our most likely scenario," says Coal UK. "Beyond 2000 difficulties will increase with the prospect of tighter sulphur limits."

The newsletter's analysis comes as RJB prepares to publish within the next few weeks its pathfinder prospectus for a flotation aimed at raising up to £425m. The company has offered £914m for the three regions for which it is preferred bidder, although this figure is likely to decline in final negotiations.

In the newsletter, Coal UK says RJB fails to take account in its market projections of 3.6m tonnes of coal equivalent a year of heavy fuel oil burn and appears to ignore supplies from other English mines. It also says RJB underestimates the amount of electricity that can be imported.

RJB's prediction of an industrial market of 6.4m tonnes in the late 1990s is described as "unaccountable". Its ambitions to take 2m tonnes of the domestic market assumes RJB will capture all the Scottish and Welsh customers as well as the English.

Coal UK also criticises RJB for its high valuation of stocked coal. RJB estimates total stocks (including non-coal) at £314m with £250m of that for 9m tonnes of coal. This suggests £27.28 a tonne, says Coal investments.

Recent prices obtained by British Coal suggest that £14.40 to £24 would be more appropriate, says the newsletter.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 24.11.94 Pool purchase price £/MWh	Final Prices for Trading on 27.10.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.23	10.04	10.04
0100	9.68	23.25	25.92
0130	9.68	23.25	25.92
0200	9.68	23.25	25.92
0230	9.24	19.22	21.89
0300	9.22	19.22	21.89
0330	9.21	16.14	18.81
0400	9.20	16.14	18.81
0430	9.20	16.14	18.81
0500	9.09	16.14	18.81
0530	9.09	10.02	10.02
0600	9.08	10.02	10.02
0630	9.25	10.04	10.04
0700	10.10	26.28	28.95
0730	29.97	26.28	28.95
0800	29.97	26.28	28.95
0830	29.98	28.07	30.75
0900	29.99	30.10	32.81
0930	38.29	32.68	36.42
1000	38.29	32.75	35.51
1030	38.28	32.75	35.51
1100	34.33	32.74	35.50
1130	34.33	32.74	35.50
1200	34.33	32.76	35.53
1230	61.68	32.71	35.46
1300	61.68	32.66	35.38
1330	34.21	30.10	32.81
1400	29.98	29.71	32.41
1430	29.98	29.03	31.71
1500	29.38	33.00	35.68
1530	30.00	33.02	35.71
1600	37.65	35.20	31.97
1630	55.40	32.01	35.71
1700	93.90	70.44	80.05
1730	108.90	86.92	98.81
1800	92.30	91.82	103.93
1830	58.79	74.70	83.62
1900	47.46	58.82	64.51
1930	37.71	44.63	48.73
2000	36.94	38.12	41.11
2030	36.49	35.10	31.82
2100	32.49	32.22	34.91
2130	29.97	27.98	30.66
2200	29.97	28.05	30.72
2230	29.97	26.28	28.95
2300	29.97	26.35	28.92
2330	9.29	26.28	28.95
2400	8.20	10.04	10.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-354788 between 8.30am and 5.15pm Monday to Friday.

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Wagon rises to £9.6m as markets improve

By Paul Cheeseright, Midlands Correspondent

Wagon Industrial resumed profits growth, as the effect of internal changes to raise productivity coincided with an improvement in market conditions, especially in the UK.

Pre-tax profits for the half year to September 30 at the group, whose interests embrace storage and retail equipment, engineering and automotive products, rose to £9.62m (£5.06m).

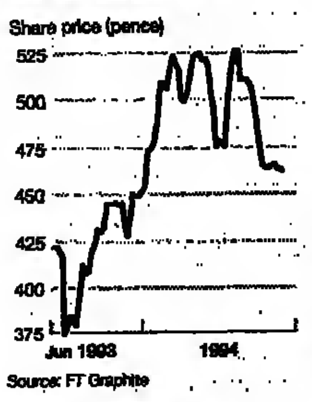
This lifted earnings per share to 12.63p (4.52p) and allowed a 5 per cent increase in the interim dividend to 6.65p (6.325p).

Stripping out exceptional costs for restructuring and writing off goodwill associated with disposals, Wagon said that its underlying pre-tax profits rose in the first half by 28 per cent to £10.4m.

It said it was optimistic about its prospects and anticipated "a continuing improvement in profits for the year as a whole".

Like other engineering companies, Wagon is experiencing continued pressure on its margins. Its profits growth has been underpinned by productivity improvements. "Underlying profits have moved ahead in the UK, but in Europe, profits were more or less flat," said Mr John Hudson, the chief executive.

Wagon Industrial



Source: FT Graphite

The group has made a string of small acquisitions to bolster its varied market positions and this was reflected in its turnover. Acquisitions contributed £6.49m out of a first half total of £163.85m, compared with £132.23m.

Operating profits moved ahead to £11.15m, against £4.42m when the figure was depressed by restructuring charges at Forkhardt, the German specialist chuck maker.

The contributions of both the storage and retail and the automotive products divisions rose, but there remained a loss from engineering, largely because of a downturn in the market for Wefco, which makes storage tanks and pressure vessels, but is now closing two of its four factories.

● **COMMENT**

Wagon has delivered what it said it would deliver. Its profits are moving firmly upwards: the UK market is under its belt and European recovery is yet to come. Problems at Wefco and at Link Plastics, another trouble spot, will be sorted out in the current half. The group is riding the cycle. Full year pre-tax profits of about £25m, to give earnings per share of 37.4p, would not be fanciful. That presages a 5 per cent increase in the final dividend, given group policy of working towards cover of two times. Such a forecast puts the shares, after yesterday's slip in the market, when they lost 4p to 469p, on a prospective multiple of 12.3, cheap for the sector.

Sharelink £468,000 in the red and trading 'very poor'

By Paul Cheeseright, Midlands Correspondent

Sharelink Investment Services, the Birmingham-based share dealing company, continues to lose money on its current trading.

For the half year to September 30, it announced yesterday a pre-tax loss of £468,000, compared with profits of £3.68m – this result was foreshadowed in the warning of late September. The shares shed 7p to close at 176p.

But Sharelink also announced that it "was trading below break even in October," and Mr David Jones, the chief executive and biggest single shareholder, said present trading is "very poor." This, he added, made him "cautious about the year end result."

First half turnover was down to £7.28m, against £11.25m last time when business was boosted by BT privatisation.

Loss per share was 1.79p, against earnings of 16.07p, but Sharelink is maintaining its interim dividend at 3p.

Sharelink's basic problem is the low level of dealing volume on the UK stock market. But its financial results have also been affected by investment of £700,000, during the first half, on the development of more efficient operating systems and the introduction of new financial management products.

Investment spending in the second half will be £600,000. Sharelink hopes to protect itself against market fluctuations by reducing costs and bringing in a stream of fixed revenue from new products.

L&G trust launch will raise minimum £29.8m

Legal & General Group is inviting offers for up to 150m shares at 100p each, with warrants attached on a 1-for-5 basis, in its new investment trust, the Legal & General Recovery Investment Trust.

The minimum investment is £1,000 with management charges of ¾ per cent.

Panmure Gordon, sponsor to the offer, has received irrevocable undertakings for up to 41.3m shares. With 31.2m shares having been underwritten the offer will raise, net of expenses, a minimum £29.8m and a maximum £143.4m.

The warrants can be exercised for 100p within 10 years. The trust has a life of not more than 10 years.

The aim of the trust is to achieve long-term capital growth and outperform the FT-SE-A All-Share Index by investing in UK-quoted equities with recovery potential.

It is being managed by the same team as the Legal & General UK Recovery Unit Trust.

Amber £1.9m at midway

Amber Industrial Holdings, the specialist chemicals maker and distributor, turned in pre-tax profits of £1.87m for the six months to September 30. This compared with £2.43m last time, but which included £724,000 on the disposal of operations.

Turnover rose by 5.4 per cent to £11.8m (£11.2m).

Earnings per share, came to 26.2p, against 42.5p or 24p adjusted to exclude the disposal. The interim dividend has been stepped up to 7p (6p).

The company is 75 per cent owned by Caledonia Investments.

McKechnie makes A$15m purchase

By Paul Cheeseright, Midlands Correspondent

McKechnie, the plastics and metal components group, yesterday started to make good its promise of more acquisitions, with the A$15.4m (£7.48m) purchase of the packaged products division of Hunter Douglas, the Australian group.

The division distributes drapery hardware like blinds and curtain rails, thus fitting in with Phipps International, an earlier Australian acquisition. The two companies should be able to feed business back to McKechnie's aluminium extrusion operations.

This latest purchase brings to £51m the commitments McKechnie has made on takeovers since August last year. Its spending has been partially offset by £21.7m from disposals.

Last month McKechnie said it would buy companies in Europe, North America and the Pacific area.

Birkby to float vehicle hire side

By Richard Wolffe

Birkby, the business property managers and hire purchase group, yesterday announced the flotation of its vehicle hire division to fund further expansion.

The company, which established a national profile in March with the £58.7m purchase of In Shops, plans to extend its chain of business units across the UK.

The group's gearing reached 77 per cent by September 30, up from 41 per cent on March 31. It expects to be ungeared after the Hill Hire flotation.

The shares closed down 5p at 233p yesterday.

Birkby intends to float Hill Hire, its commercial vehicle hire company, by a placing with institutional investors, which is expected to value the company at more than £26m.

Mr Bill Cran, chief executive, said Birkby would retain a 40 per cent stake. "We are beginning to restrict the growth of Hill Hire, simply because we are not a truck rental operation and that is not a core activity," he said.

"We want to put our resources into space management." Hill Hire carries a heavy debt burden, as is typical in vehicle hire.

Birkby acquired Hill Hire in July 1993 to add heavy commercial vehicles to its existing light vehicles hire business. The division reported pre-tax profits of £1.76m on sales of £10.5m in the year to March 31. Average utilisation rates stand at 72 per cent on light vehicles and 84 per cent on heavy vehicles.

For the six months to September 30, Birkby reported a seven-fold rise in pre-tax profits to £4.13m (£581,000).

Turnover expanded from £5.24m to £32.2m, including a full contribution from In Shops and its discount retailer Job Lot. The figures were also lifted by a contribution from I-MEX, the manager of commercial and light industrial units, which was acquired in August.

Occupancy rates in the group's 38 workspace centres range from 94 per cent at the Birkby sites to 65 per cent at the I-MEX sites. Retail occupancy stands at 82 per cent in the group's 65 centres.

Earnings were 8.2p (6.6p). The interim dividend goes up to 2p (1.2p).

Pilkington

Pilkington saw profits double to £61m before tax and disposal gains in the six months to September helped by an improvement in most of its main markets. Including a £16m profit on the sale of its insulation business the glass maker reported a pre-tax surplus of £77m against £30m.

Turnover from continuing operations rose by just 3 per cent to £1.29bn, with volume growth of 7 per cent offset by the fall in the dollar and price reductions in Germany.

Earnings per share were 3p (0.4p) excluding the disposal gain, while the dividend was held at 1.5p.

Pre-Budget moves to b&b

Peter John on a practice which appears to have gained in popularity

The London stock market may be wallowing like a rudderless ship, but down in the engine room investors are quietly shifting funds in case a well loved loophole is plugged in next week's budget.

Dealers who closely follow the patterns of share trading have noted that the number of "bed and breakfast" deals has risen dramatically over the past few weeks.

These trades generally involve placing stock shortly before the close of the session and buying it back the next morning to establish a tax loss – hence its potential interest to the Chancellor.

On one day last week, daily volume was boosted by 60m shares, about a tenth of the turnover, after large blocks of FT-SE 100 stocks appeared on the Seaq automated quotation system first thing in the morning. And on Tuesday some 13m shares in second line stocks went through the dealing screens.

Both were believed to represent one half of this evocative but obscure practice.

Opinion is divided, however, on the reasons for the increase. And establishing motivation is made more difficult by the shadowy legal nature of the practice.

In the words of the Stock Exchange: "The question is not so much whether it is illegal but whether it is allowable under tax regulations."

The pointer to a bed and breakfast deal is often a large block of shares recorded just before the close of dealing at below the market price and know in the trade as "a 1629". The following morning a similar block of shares with matching price and size will show up.

These trades are made to mitigate the effects of capital gains tax. If there is no link between the sale and the repurchase they are perfectly legal.

Mr Paul Franklin, of the Inland Revenue, said: "We have no objection to a general disposal followed by an acquisition as long as they reflect the market value. If they don't, an inspector will look at them."

The Stock Exchange concurs. "As far as we are concerned we don't know if the bargain is bought back the next day. The rules are that they have to be booked near the market price." In other words, if the transaction constituted price manipulation it would be breaking the rules.

Marketmakers say the fact that deals are often slightly below the market price can be explained by the size of the trade compared with the normal market size and the general liquidity of the stock.

Because of the sensitive nature of bed and breakfasts, securities houses will not comment officially on their involvement. And none will admit to agreeing both sides of the deal, that would constitute a "scheme".

One senior dealer said: "Legally they don't exist but technically they do happen. The whole subject is such a hot potato we would rather remain in the background."

One insider at UBS, the Swiss-owned securities house, said business had grown because a number of institutional clients were concerned that the Chancellor would stop the practice.

"The rumour often rears its head around Budget time. It may not be founded on anything but there has been more worry around this year." He added: "I am not really sure how the Chancellor can stop people buying or selling shares and establishing a tax loss."

It is also possible that much of the business might merely reflect prudent cash management. The stock market has fallen by about 9 per cent since its highs at the start of the year. If Mr Clarke is going to bare his teeth, investors might feel that now is as good a time as any to make the best possible use of capital gains tax allowances.

DCC shows 24% growth to I£8.8m

By John Murray Brown in Dublin

DCC, the Dublin-based diversified holding company which came to the market in May, reported a 24 per cent increase in pre-tax profits from I£7.11m to I£8.82m (£8.7m) for the half year to September, reflecting improved economic conditions in Ireland and the UK.

The group has interests in 20 companies in the foods, energy, healthcare and computer services sectors, including snack food manufacturing, waste oil recycling and natural gas distribution in the UK, and health care services in the US.

Turnover, after deducting the share of associated companies, rose 26 per cent to I£119m (I£94.7m).

Operating profits were up 35 per cent to I£10m (I£7.42m).

Mr Jim Flavin, DCC's founder and chief executive, said the performance was "driven by organic growth and not merely the result of acquisitions".

The foods sector is the largest contributor, with operating profits 44 per cent up at I£3m (I£2.1m). The result includes contributions from its associates, among them Fyffes, the fruit trader, and Allied Foods.

Earnings per share amounted to 7.9p (6.86p) and an interim dividend of 2.4p is being paid.

A good outcome was expected for the year as seasonal factors, particularly in the energy sector, weighted profits towards the second half, Mr Flavin said.

DCC spent I£5.1m on acquisitions in the period, including a controlling interest in Virtus, a healthcare products maker.

DCC has been trading at below its issue price for much of the period since going public.

NEWS DIGEST

26% rise at ABI Leisure

ABI Leisure Group, the North Humberside-based caravan maker, achieved a 26 per cent advance in pre-tax profits from £2.84m to £3.58m for the 12 months to August 31.

Mr George Shiels, chairman, said the improved results reflected both a growth in sales and increased efficiency in the group's manufacturing operations.

Turnover advanced by 14 per cent to £70.6m (£61.8m) with exports accounting for 38 per cent (31 per cent) of the total. Mr Shiels said that as well as growing organically, the group would take advantage of suitable acquisition opportunities both in the UK and continental Europe. The group has nil gearing (15.5 per cent).

Earnings per share increased to 8.7p (7p) and a final dividend of 2.71p (2.51p) is proposed for a 4.06p (3.76p) total.

Herring Baker

Herring Baker Harris Group, the chartered surveyor and property adviser, has announced a series of restructuring measures, including the disposal of a subsidiary.

Herring, which incurred losses of £430,000 pre-tax for the year ended January 31, plans to sell James Barr & Son to its management for £750,000 cash. The co-operation between the two companies would, however, continue.

In addition the group said changes to the rental terms of its West End and City offices would cut payments by about £1.06m over the period to June 1997. A redundancy programme is expected to produce savings of about £750,000 a year. National Westminster Bank has agreed to an increase in and extension to facilities.

First Ireland Inv

First Ireland Investment Company raised net revenue from £215,000 to £341,000 for the half-year to September 30, and earnings per share grew to 1.14p, against 0.72p.

Net asset value increased by 6.4 per cent in sterling terms to 119.59p at September 30 (112.4p at March 31). The rise in Irish pound terms was 4.3 per cent to 121.05p (116.12p), compared with a 2.1 per cent increase in the Irish Stock Exchange index over the same period.

The company intends to pay a supplementary dividend of 0.25p for the year ended March 31 so as to satisfy the level of payment required by Irish legislation in order to obtain distributor status. Last year's final was 1.52p.

Emerald Energy

Emerald Energy, the USM-quoted oil and gas explorer, is raising £485,000 through a placing of 25m shares at 2p with funds managed by GFM International Investors, the investment arm of Metropolitan Life.

GFM will become Emerald's second largest shareholder. The shares rose ¼p to 2¼p.

The proceeds will be used in the development of its interests in the US.

John Foster

Continuing progress in the reshaping and restructuring of its business helped John Foster & Son, the mohair topmaking, worsted and spinning concern, cut losses from £921,000 to £605,000 for the half year to August 31.

The company said the result was in line with expectations. The second half was likely to be similar to the first and an overall loss was expected for the year.

Although the wool textile industry was generally more buoyant and the forward order book stronger than for some time, margins remained under considerable pressure due to the recent sharp rise in wool prices.

Turnover dropped from £8.4m to £6.2m.

Losses per share were 5.4p (8.4p).

Adare at I£798,000

Adare Printing Group, the Dublin-based USM concern, almost doubled interim pre-tax profits to I£798,000 (£787,000) on turnover 59 per cent ahead at I£20m.

Last year's figures for the period to October 31 were I£419,000 and I£12.6m respectively.

Mr Nelson Loane, chief executive, said Alexander Pettigrew and Label Converters, acquired in the first quarter, had been "assimilated smoothly" and were performing to expectations.

Earnings per share came out at 8.77p (5.87p).

The interim dividend rises to 1.0395p (0.945p).

Abtrust High Income

Abtrust High Income Trust, which aims to provide quarterly income with potential for capital and income growth, has declared a second interim dividend of 1.4p.

The total dividend so far of 2.8p is in line with the forecast in the prospectus.

Net revenue for the period from the trust's incorporation in February to September 30 was £1m. Net assets per share stood at 89.25p, with earnings per share of 3.28p.

F&C Income

Foreign & Colonial Income Growth Investment Trust reported net revenue of £795,000 for the period from incorporation on February 3 to September 30. Earnings per share came to 1.85p and there is a maiden interim dividend of 1.4p.

Net asset value per share at the end of September was 92.6p against 96p six months earlier.

PUBLIC WORKS LOAN BOARD RATES
Effective November 22

	Quota loans*					
	"Lower" quota rates			"Higher" quota rates		
Years	EPT	ATT	maturity§	EPT	ATT	maturity§
1	-	-	8½	-	-	8⅝
Over 1 up to 2	6⅞	6⅞	7¾	7	7	7⅞
Over 2 up to 3	7½	7½	8¼	7⅝	7⅝	8⅜
Over 3 up to 4	8	8	8½	8⅛	8⅛	8⅝
Over 4 up to 5	8¼	8¼	8⅝	8⅜	8⅜	8¾
Over 5 up to 6	8⅜	8½	8¾	8½	8⅝	8⅞
Over 6 up to 7	8½	8⅝	8⅞	8⅝	8¾	9
Over 7 up to 8	8⅝	8¾	8⅞	8¾	8⅞	9⅛
Over 8 up to 9	8¾	8⅞	8⅞	8⅞	8⅞	9⅛
Over 9 up to 10	8⅞	8⅞	8⅞	8⅞	8⅞	9¼
Over 10 up to 15	8⅞	8⅞	8⅞	9⅛	9⅛	9¼
Over 15 up to 25	8⅞	8⅞	8¾	9⅛	9⅛	9⅛
Over 25	8¾	8¾	8¾	8⅞	9⅛	8⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LEGAL NOTICES

No. 006826 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
VICTREX MANUFACTURING LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 26th day of October 1994 presented to Her Majesty's High Court of Justice, for the confirmation of the cancellation of the share premium account of the above-named Company in the sum of £10,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on the 7th day of December 1994.

ANY Creditor or Shareholder of the Company desiring to oppose the making of an Order for the confirmation of the cancellation of the said share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 24th day of November 1994.
Baldsons
27 Chancery Lane, London WC2A 1NF
Solicitors for the above-named Company.

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FINANCIAL TIMES SURVEY

ITALIAN BANKING AND FINANCE

Thursday November 24 1994

Waiting for a puff of white smoke

The authorities prefer that evolution of the sector be left to the market, but many bankers would welcome a philosophical vision of the future, says Andrew Hill

Three weeks ago, shortly after being named a cardinal, the archbishop of Ravenna chose to comment on the strictly secular topic of takeovers in the Italian banking sector.

Italian newspapers reported that Cardinal Ersilio Tonini and his counterpart in nearby Bologna had come out in support of the local bank, Credito Romagnolo, which was preparing to fight off a hostile bid from Milan-based Credito Italiano.

The archiepiscopal intervention prompted some indignant muttering on the part of Credito Italiano's advisers, but it should have surprised nobody. Indeed, it probably helps explain why it has so far taken more than mere legislative reform to restructure the country's overcrowded banking sector.

For one thing, the event illustrated how deep the regional roots of some of Italy's 1,037 credit institutions go, and how difficult it could be to untangle them. For another, it drew attention to the atmosphere of papal intrigue in which the Italian banking shake-up is being carried out.

Technically, the Bank of Italy – responsible for banking supervision – has limited legal power to impede bids and mergers in the banking sector, except in certain circumstances, such as failure to observe competition rules, or an increased risk of insolvency. Indeed, as Mr Tommaso Padoa Schioppa, the central bank's deputy director-general, told a conference last week: "It is not up to the supervisory authority to choose the best operation, nor to carry out a particular plan or direct the outcome on the market."

Mr Lamberto Dini, Italy's treasury minister and former director-general at the central bank, has also publicly stated that the treasury will leave the outcome of the banking shake-up to the market.

But many senior Italian bankers believe that the central bank must have a philosophy and a vision of the future of the Italian banking sector, and should be exercising "moral suasion" – or, as one banker puts it, "nods and winks, like the Bank of England" – to ensure that the myriad institutions under its control move towards that vision.

Meanwhile, within the private sector, Mediobanca, the Milan merchant bank which has built a network of unparalleled influence over Italy's largest financial and industrial companies, is said to be pulling strings to realise its own vision of Italian banking. Most outside observers believe that both the Credito Italiano approach to Credito Romagnolo, and the almost simultaneous move on Banco Ambrosiano Veneto by Banca Commerciale Italiana, were inspired by Mediobanca.

The bank itself, as always, has not commented.

The idea that anyone should covertly tamper with the free market is anathema to many in the new generation of Italian investment bankers, weaned on Anglo-Saxon attitudes to banking and market supervision. But the evolution of the Italian financial sector has produced a unique creature, which may require special treatment.

The list of more than 1,000 Italian banks is the heritage of decades of restrictive rules, which protected financial institutions from competition by banks from outside their designated territory or sector of activity. With the 1990 Amato Law – named after the Socialist treasury minister, Mr Giuliano Amato, later prime minister – the Italian government put the final element of banking reform in place, giving public banks the chance to change their identity from foundations, trusts and associations into joint stock corporations, and float off part of their banking operations.

Reform was also supposed to set off a spate of mergers and takeovers in the sector. Italy's second biggest savings bank, Cassa di Risparmio di Roma, quickly bought 65 per cent of Banco di Roma, in October 1990, to form Banca di Roma. Other casse di risparmio allied with Cariplo, the Milan-based bank which claims to be the world's largest savings bank. But compared with expectations at the time, there have been few attempts to consolidate, and even the largest Italian banks remain small by US, Japanese or British standards.

ALSO IN THIS 4-PAGE SURVEY

- Credito Romagnolo fights to keep its local roots
- Share dealing goes on-screen, and more sell-offs are likely
- A difficult year in government bonds markets
- Why bad news is good news for the insurance sector

However, within the past 12 months, the sale by IRI, the state holding company, of the rest of its shares in Credito Italiano and Banca Commerciale Italiana has triggered off what could be a second wave of bids and mergers.

Italian banks are comparatively well-capitalised. But this only adds to the concern that fear of being overtaken in the national league of big banks will fuel indiscriminate bingeing by nervous financial institutions. The result would be to exchange a range of medium-sized, comparatively lean banks for an uninspiring collection of flabby giants.

"I don't believe the Italian banking system can afford to concentrate just on size," says Professor Mario Sarcinelli, chairman of Banca Nazionale del Lavoro, 54 per cent of which is still owned by the treasury. "The problem of the Italian banking system is profitability and efficiency, it's not size, or just size."

The past two years have exposed this weakness. In 1993, for example, banks' net profits were hit by heavy provisions and tax charges, in spite of an overall 28 per cent increase in operating profit at the largest Italian banks which account for most of Italian banking turnover. Half-year results for this year suggest that the situation will be worse in 1994. Banks' loan portfolios are still in the shadow of recession, even as industrial companies emerge into a more prosperous period; and the increase in interest rates has hit revenue from securities trading, which was particularly strong in 1993.

Productivity is improving, according to the Italian banking association (ABI), and staff numbers are dropping, but there is still a long way to go, and the banks are hampered by rigid labour rules, fiercely defended by trade unions, which have staged a series of one-day strikes. Negotiations between management and unions were completed earlier this month, with workers offering some concessions on longer opening hours, and there are indications that a jobs-for-life mentality is beginning to disappear. But, as one senior Italian bank executive points out: "The average employee takes it for granted that we have a situation in which there can be no firing or labour-shedding in the Italian banking system. This is clearly wrong."

The reform of the system has helped Italy to increase the number of branches across the country from only 6,000 in 1990 to 22,100, leading to concerns that the network may now be saturated. Now the problem, according to ABI, is that, whereas there is a surplus of branches in some areas (for example, Tuscany, dominated by the ancient Siena-based bank, Monte dei Paschi), in other areas, particularly the poorer, south of the country, there is a lack. "The main towns are certainly over-branched," warns Mr Luigi Coccioli, ABI deputy chairman and chairman of Banco di Napoli, one of the south's biggest banks.

In that respect, the consolidation of northern banks is a worrying development, because it could deprive southern customers of the efficient, stable and customer-friendly banking system which should emerge in the more competitive north, increasing the attraction of usury – which is still widespread in Italy – and other dubious financial services.

Hence the attempts of the Bank of Italy and treasury to encourage further modernisation of the system, and, in particular, the increased "privatisation" of the banking branches controlled by the many charitable foundations across Italy.

"The high proportion of banking activity which, from an ownership point of view, is still in public-sector hands shows that the likely route to privatisation for the banks is still long, and the foundations will be the ones to complete it," Mr Padoa Schioppa said last week.

Clearly, observers will have to wait a while before a puff of white smoke from the Bank of Italy indicates that the new Italian banking sector has been fully installed.

Technically, the Bank of Italy has limited legal power to impede bids and mergers in the banking sector... Picture: Trevor Humphries

... And Lamberto Dini, treasury minister, has said the treasury will leave the banking shake-up to the market Picture: Ashley Ashwood

ITALIAN BANKING AND FINANCE II

Andrew Hill examines the banks' efficiency

Analysts stress the ratios that matter

Italian banks are usually ranked according to their total assets or equity, a list in which the laurels are always taken by the biggest credit institutions.

These are the so-called banks of national interest, like Banca Commerciale Italiana and Credito Italiano; the six former "public law credit institutions", like Istituto San Paolo di Torino and Monte dei Paschi di Siena; and the largest savings banks (*casse di risparmio*), such as Cariplo and the Banca di Roma grouping.

The spate of recent merger and takeover proposals bas, however, reminded Italy that, wherever its banks stand in the national ranking and whatever the outcome of the current bid battles, its credit institutions still have a comparatively lowly place in world rankings. Tha question is whether this lack of bulk matters, and wbether a rush to consolidate might distract banks from the more important aim of improving internal efficiency.

Many bankers and banking analysts are now looking at other criteria to judge Italy'a biggest financial houses. They suggest the banking sector should be paying more attention to its efficiency ratios – the relationship between profit and assets, for example, or, quite simply, the net profit figure.

Attempts to assess the relative efficiency of Italian banks in this way produce a quite different ranking. For example, Credito Romagnolo (Rolo), preparing to fight off a bid from Credito Italiano (Credit), has made great play of a list of Italy's top 20 banks, which sets 1993 gross operating profit against assets, and ranks Rolo as the fifth most profitable bank, and Credit only 13th.

Similarly, Banco Ambrosiano Veneto, which seems to have successfully blocked attempts at a takeover, ranks seventh, while its erstwhile suitor, Banca Commerciale Italiana (BCI), comes in 11th. All such rankings can be misleading if one-off elements are not taken into account, of course. If one compares gross profit, for example, the level of provisions – an important element in judging banks' accounts – is not included. But if, for example, only net profit is judged, then the distorting effect of tax charges can blur the ranking.

In any case, both BCI and Credit have fought back against the implication that they may be less efficient or profitable than Rolo and Ambroveneto. They point out that all four banks are efficient institutions relative to the sector overall, and that during the recession both Rolo and Ambroveneto have been working in slightly easier markets (respectively, the prosperous areas of Emilia Romagna and the Veneto) than their suitors. Credit's supporters argue, moreover, that Rolo lacks the international presence of the larger bank, which would ease the way for Emilia Romagna's many exporters.

Looking at the whole European banking sector, Mr William Vincent, European banking analyst with Schroder Securities, says that the banks which stand the best chance of succeeding are not necessarily tha biggest, but those with a definite niche in the market.

That sounds positive for Italy's myriad smaller banks, particularly as they have the closest links to the small and medium-sized companies which are the backbone of the Italian economy. On the other hand, as Mr Vincent himself points out, it is the same small companies which have suffered most in ths recession, and as a result many of Italy's smaller banks have been hit by heavy provisions against bad loans.

Mr Luigi Coccioli, deputy chairman of the Italian banking association (ABI), sees both sides of the problem. He is also chairman of Banco di Napoli, one of Italy's biggest and oldest banks. But Banconapoli's customers also include a large proportion of small and medium-sized enterprises, based in the south of Italy, which has been particularly hard-hit by recession. The bank had to announce a heavy first-half loss this year, and suffered the indignity of having its credit rating downgraded by Moody's because of "deteriorating asset quality".

Mr Coccioli still defends the ability of a larger bank to provide a better service than its smaller competitors, however – especially for expanding companies: "The local cassa di risparmio can certainly take care of a small textila company in its home town, but if that company wants to export its products to Guatemala or Kuala Lumpur, the small cassa is unable to guarantee all the paraphernalia of bills of lading, export credits and so on." He is adamant, however, that enthuslasm for expansion must be matched by a desire to confront the difficult challenges of rationalisation and improving efficiency.

In this, Italy's biggest banking groups need to learn from their past mistakes. Banca Nazionale del Lavoro, for example, erred when it indulged in what one observer close to the bank describes as an "imperial" phase during the 1980s. Naw subsidiaries were started up, the Rome head office expanded, and international branches were added without paying enough attention to the quality of staff recruited overseas. The phase culminated in the embarrassing scandal of unauthorised loans to Iraq made by the group's Atlanta branch. Now, under new management, BNL is amalgamating its subsidiaries into the group structure, and will concentrate on efficiency improvements to consolidate its position as the third or fourth largest Italian institution.

In the same way, IMI, the diversified financial services group which until the recent reforms was one of Italy's few medium-term lending institutions, tried to expand internationally in tha 1980s, but had to rein in its ambitions when it realised that to achieve its aim of becoming a global operator at that time would have been, in the words of one banker, "very expensive and very risky".

The risks of domestic expansion are less obvious, and all bankers talk of the need to reduce tha number of banks in Italy from over 1,000 to nearer the 200 or so which analysts believe the market can support.

But, as Mr Coccioli of ABI points out, there is still a heavy cost to rationalisation. To realise efficiencies, management must take on powerful banking unions, backed by rigid labour agreements; local politicians, who identify the regional bank with the future prosperity and ideotity of their constituency; and the technological challenge of linking up different computer systems.

As one analyst puts it: "You can see the advantages for Italy and Italians of consolidation – a greater range of financial products, and so on – but it's far harder for the banks themselves to see the benefits."

Italy's biggest banks

	Total customer deposits (L bn)	Net profit (loss)* (L bn)	Number of branches†
San Paolo di Torino	109,477	479	959
Cariplo	70,308	320	651
Banca di Roma	70,102	110	1,225
Banca Nazionale del Lavoro	54,363	51.15	582
Banca Commerciale Italiana	52,637	268	689
Banco di Napoli	50,127	174	800
Credito Italiano	45,409	219	641
Monte dei Paschi di Siena	42,378	24.6	684
Banco di Sicilia	31,140	(849)	384
Crediop	27,988	201	n.a.
Banco Ambrosiano Veneto	24,843	175	500

*After transfers to reserves. †In Italy. Source: 1993 company reports and Mediobanc


BNL has been faulted for indulging in an 'imperial' phase in the 1980s

Profile: **Credito Romagnolo**

Rolo fights to keep its roots

The regional bank with powerful roots in tbe local community has persisted in Italy long after it bas waned or disappeared elsewhere in Europe.

But this pheoomenon could well be about to change as the banking system begins to concentrate. In this process of concentration all eyes are on the fate of Credito Romagnolo (Rolo), the highly profitable Bologna-based bank whicb is rooted in tbe ricb Emilia Romagna region of north-central Italy.

The bank dates back to 1896 when it was founded as Piccolo Credito Romagnolo. Over the course of nearly a century, it has becoms a local institution, symholising the region's tradition of hard work and thrift. These deep roots are also reflected in the 23,842 small shareholders who possess 22 per cent of the stock.

"Our shares are passed down from generation to generation," says Mr Emilio Ottlenghi, the chairman. "Sometimes they are sold at marriage to buy a house; but then they are bought hack with subsequent earnings."

But as Mr Ottolenghi talks, in the bank's magnificent board room decorated with frescoes by the three Caracci brothers – the great 16th century Bologna artists – there is a sense of apprehension. Such solid traditions are at risk.

At the end of October, Rolo became the ohject of a hostile bid by the recently privatised Credito Italiano, offering L2,010bn for 48.2 per cent of the shares. In response, Rolo revived and enlarged plans to merge with its long-standing local rival – Caer, the holding for the Cassa di Risparmio in Bologna (Carisbo).

If Credito's bid is successful, this would create Italy's largest private banking empire. Alternatively if it fails and the Rolo-Caer merger succeeds,perhaps with the help of a big white knight,it would create the 10th largest banking group.

Tbe battle is going to be bard-fought, and one suspects it will be full of surprises given the untried and oftan ambiguous nature of Italy's 1992 take-over laws. Rolo's main arguments against being absorbed by Credito are quite simple. The bank recognises the Credito deal may benefit a few individual shareholders, but it will be detrimental to the bank's operating efficiency, eliminate its local identity and prevent Rolo's own healthy "organic" expansion.

The bank argues that its profit base would become obscured and would bs used to bolster a large, flabby organisation. The bank also claims that the absorption by Credito would lead to the loss of of over 1,000 jobs among the 6,200 Rolo employees. The question of Emilia Romagna losing its "local" bank to Milan, combined with the question of potential job losses, are clearly the most political aspects of the bid.

Rolo, with total assets of L31,154bn, is cnrrently controlled by a core of sbareholders put together since 1988 hy Mr Carlo De Benedetti, the Olivetti chairman, in the wake of a tough fonr-yaar strnggle against a rival group led by Fiat and the Agnelli family. Mr De Benedetti controls just under 5 per cent, while the biggest single shareholder is France's BNP with 6.3 per cent.

In the month-long run-up to the bid launched on October 26, Rolo shares moved from just below L11,500 a share to over L13,700, in part reflecting Credito's accumulation of a 2 per cent stake. Bourse gossip had it that Credito was talking to at least one large Rolo ahareholder, offering up to L18,000 a share prior to the announcement of the take-over.

The bank's statutes impose a 10 per cant ceiling on individual shareholdings – precisely in order to preserve the diffused nature of share ownership. Persuading Rolo shareholders to change this norm represents a big hurdle. It will need to be overcome this statutory block in the case of tha merger as well. The merger is on the basis of 1.31 nominal L1,000 Rolo shares for one nominal L10,000 share of Caer. Caer, controlled hy a foundation with 93 per cent of the capital, would then possess 30 per cent of the new entity's stock.

The two local banks will also have to explain more clearly why they should have revived so hurriedly a merger project which had been dropped only a month previously after more than a year of discussions, and which had the blessing of the Bank of Italy. Rolo executives insist the merger had merely been shelved – not dropped – since the structure of the deal was unsatisfactory. Only a limited range of services was inclnded in the original merger, and the subsidiaries of both institutions were excluded.

Now, the new merger plan is comprehensive and covers every aspect of both groups. Rolo counters Credito's claim that the merged bank offers limitad growth prospects operating in a saturated area. Executives say the activities of Rolo and Carisbo, the main savings bank arm of Caer, are remarkably complementary. Rolo is involved in retail banking and has a fast-growing client portfolio management business: Carisbo, on the other hand, has a strong presence among local authorities and does more term lending.

Ironically, it was the failure of the original Rolo-Carisbo marriage that suddenly made Rolo an attractive take-over target. Until that time it looked as though the merger would be an effective barrier against raiders, allowing the two to consolidate in Emilia Romagna and fan out from there, building on Rolo's successful four year-old venture into the economically vibrant Friuli-Veneto region through Banco di Friuli.

In the battle ahead, both Credito and Rolo face many unseen obstacles. Not least of these is the legal position of the takeover in relation to the Rolo-Caer merger. Which of the two options for instance takes precedence? Should the takeover be allowed first to run its course? The takeover was announced first, but it was not formally initiated until after the merger was agreed.

Robert Graham


Emilio Ottlenghi: 'Our shares are passed from generation to generation'


Lamberto Dini (right) previously worked with governor Antonio Fazio at the bank. They are pictured together in 1993. Problems arose when Mr Dini became treasury minister

Robert Graham analyses the rift between the government and the central bank

Scars that will not heal easily

It was always on the cards that the Bank of Italy would enjoy an uneasy relationship with tbe inexperienced right-wing coalition headed by Mr Silvio Berlusconi.

Yet no one foresaw the degree to which the central bank and the government have fallen out. On occasions, the two have scarcely been on speaking terms as the bank has fought a rearguard action to protect its autonomy – an almost unprecedented situation in a G-7 country. Even if now both sides are making a determined effort to establish a proper working relationship, the scars left by these scraps will not heal easily.

The bank will also continue to find itself in a difficult position regarding monetary policy and interest rates, where it risks being on the opposite side of the fence. The government wants interest rates to go down to lower the cost of servicing Italy's huge debt stock and so keep the 1995 budget dsficit projectlons on course. Mr Lamberto Dini, the treasury minister, believes once the 1995 hudget is approved hy parliament, then interest rates should go down. The bank, on the other hand, is far more cautious.

On the other hand, Mr Antonio Fazio, the governor, has repeatedly said his priority is to protect the currency and ensure that inflation does not return as the domestic recovery strengthens. This led him to raise the discount rate in mid-August by half a percentage point to 7.5 percent, and he has warned that he will not hesitate to do so again if the circumstances require.

Indeed, in the bank's latest quarterly bulletin, it politely told the government thet the 1995 budget projections for the cost of debt service were too low and tbe deficit consequently greater. The bulletin also doubted the feasihility of achieving a 2.5 per cent annualised inflation target next year.

The prohlematic relationship began from the very start of the new administration in May, wben Mr Dini was recruited to the treasury from being the bank's director-general – the number-two joh in the bank's four-man executive directorate. As treasury minister, he immediately became the single most important government figure determining economic and financial policy.

The Bank of Italy has always enjoyed a good and close relationship with the treasury, with the ceotral hank often supplying the latter's best technicians. However, in this case matters were clouded by personal sentiment. By seniority, Mr Dini had been the natural candidate to become governor when, the previous year, Mr Carlo Azeglio Ciampi was called from near retirement to become prime minister. However, oo that occasion Mr Dini was passed over in favour of Mr Fazio, then the number three in rank in the directorate.

Tbe friction resulting from this promotion complicated the choice of a successor to Mr Dini. The members of the four-man directorate at the bank are chosen by the institution's governing council (composed of the chairman of the Bank of Italy's regional offices), and the appointment is then approved by the cabinet and the head of state.

Traditionally this has been a consensual process between the various actors. But the Berlusconi government was heavy-handed in trying to influence the choice of candidates – imposing a veto on Mr Tommaso Padoa Schioppa, the senior of the two deputy directors, because he was considered too close to Mr Ciampi. Instead the right-wing coalition insisted on an outsider, which the bank resisted.

As a result, the stand-off lasted from June until mid-October when the bank named Mr Vincenzo Desario, the junior of the two deputy directors, as a compromise candidate. Even than the government demurred in accepting tbe outcome, and delayed approval for almost tbree weeks to make its displeasure plain.

In the bank's latest quarterly bulletin, it politely told the government that the 1995 budget projections for the cost of debt service were too low, and the deficit consequently greater

No one has emerged unscathed from this affair. By waiting so long to name a Dini successor, the bank appeared undecided and therefore subject to political pressure. The bank's governing council also found itself in the embarrassing position of choosing Mr Desario, whose career in the bank has been essentially confined to supervision of the banking system, over a more experienced and internationally recognised central banker, Mr Padoa Schioppa.

As further evidence of sensitivities, the bank decided not to name a successor to Mr Desario in the directorate until the latter's appointment had been digested. The government still wants a say in who takes his job, and thus it may not go to the next in line within the bank.

The coalition's desire to interfere in the activities of the central bank has dragged the institution into the political arena in a way not seen 1979 over tha affairs of Banco Ambroslano and the late banker Roberto Calvi. Members of the coalition have gratuitously attacked Mr Ciampi for his role as honorary governor, arguing that it is unacceptable that, having been prime minister, he should be allowed to retain this position with an office available at the bank. It is is nevertheless bank tradition that former governors have this honorary role.

The bank has also been criticised for the way it continues to exclude politicians from the invitation to attend the governor's annual message on the economy oo the occasion of the annual meeting at the end of May. Coalition members argue the governor's message is often "political" and that therefore it is undiplomatic to exclude the politicians.

What is more important, members of the coalition have been muttering darkly of the need to re-examine the central bank's statutes. The aim of this would be to regulate the governor's currently unlimited tenure to a fixed term. Another suggestion, vigorously rejected by the bank, is that its supervision functions be hived off.

With the banking system now undergoing radical transformation in the wake of privatisation, the supervision side of the bank acquires heightened significance. For instance, the bank now finds itself in a highly visible role as arbiter of the merits of a hostile takeover by Credito Italiano of Credito Romagnolo. With many competing banking – plus political and socio-economic – consideratious at stake, the last thing the bank needs in these circumstances is a tense relationship with the government.

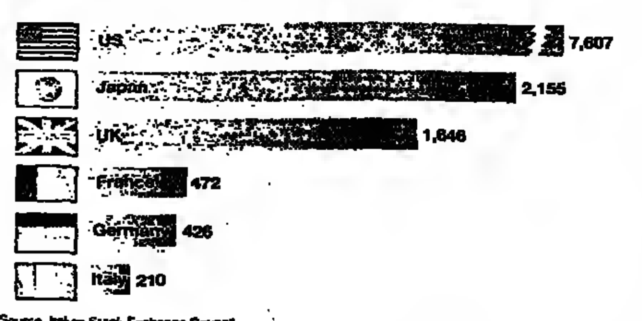
Perhaps the final casualty of the row over Mr Dini's replacement has been rational discussion of the future role of the bank, 100 years old last year. It is the one Italian institution to have preserved its dignity and respect during the past two years of tumultuoua political change. Nevertheless, as the banking system is privatised and the state retreats from its dominant role in the economy, it is an opportune moment to reassess the size and precise function of the central bank. Unfortunately, tempers are too heated and the bank has been placed too much on the defensive for a proper discussion.

The stock exchange: on-screen trading has proved broadly reliable, says **Andrew Hill**

More sell-offs expected next year

It seems to have been a good year for the Italian stock exchange, if oot for the Italian stock market.

The Comit index of leading Italian stocks stands at roughly the same level as at the beginning of the year. Equities began a tiring climb up to new highs io March, fuelled by optimism about the new governmeot, only to come tumbling down during the summer and autumn because of uncertainty about the cohesion and resolve of the same *administration.*



Mr Attilio Ventura, cbairman of the Milan-based Italian stock exchange council, is philosophical about the fluctuation of the market: "In the first six months of the year, the Italian market was the star of Europe – it rose to unthinkable levels, due mainly to the activily of foreign operators. In the second half, they realised good gains and are waiting to come back when the conditions are right."

Mr Ventura's principal concern is to ensure that when that moment arrives, foreign and Italian investors are not deterred from trading on the Italian equity market because of technical or bureaucratic deficiencies, illiquidity or a lack of suitable products. In that respect, he is coovinced that Milan has made progress this year.

Milan moved to full on-screen trading in April, adding to its computerised system the few stocks still traded on the floor of the exchange hy open outcry. The borsa was unlucky in that the switch coincided with one of the busiest periods in the exchange's history – at the height of optimism about the new government's prospects – and the "little hang" was postponed for 24 hours as special measures were put in place to relieve pressure on the system.

Since then, the system has proved hroadly rellable, although there was a hiccup early last mooth when a technical hitch hlacked out computer trading just after the country's justice minister had announced his resignation, interrupting a sharp fall in the value of cquities. Aftcr an investigation, the exchange authorities declared themselves hroadly satisfied that the cause was a technical fault and not sabotage, hut small investors have called for a judicial inquiry.

A five-day rolling settlement system, to replace the monthly account trading system, is also being phased in, but Mr Ventura says it could be "a few months" yet before full cash settlement is introduced for all stocks.

As far as liquidity is concerned, market operators and stock exchange authorities alike are optimistic about the impact which trading in oew equity derivatives should have on the underlying equity market. The first futures contract oo the revamped MIB 30 index of heavily traded stocks should begin trading next week and once the market is under way, the exchange is expecting to add an option on the lodex and, in the first half of next year, options on single shares.

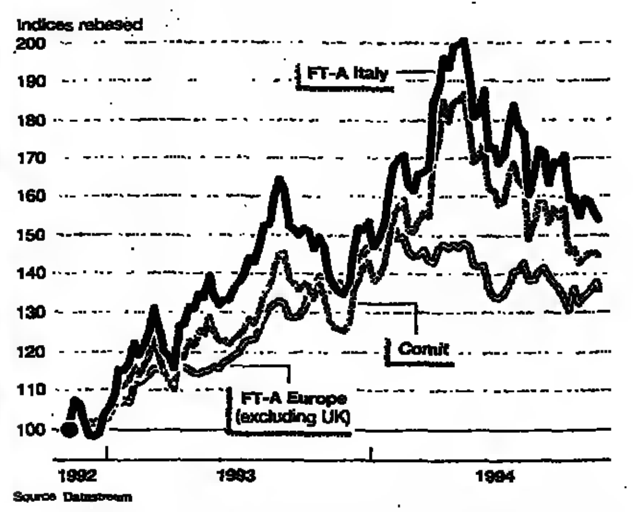
Liquidity has also improved as a result of the privatisation programme launched in 1992. In the past 12 months, the government has turned from private sales to public offers, *injecting more shares into the* market in the case of the hanks, Banca Commercialc Italiana, Crodito Italiano and IMI, which wcre already quoted, and listing shares in Ina, the insurer, for the first time.

Under the oew gnvernment, partly because of inexperience, the privatisation programme has slowed, and concern has been expressed about the appetite of the Italian public for further large sell-offs. Nevertheless, within the next 12 months, the state should sell more of its shares in Stet, the telecoms holding company which is one of Italy's biggest companies by market capitalisatioo, and hring to market Enel, the electricity company, and all or part of Eni, the chemlcals and eoergy conglomerate.


Attilio Ventura: philosophical

At the same time, the governmeot has introduced new rules to protect minority shareholders and hring taxatioo oo share investment into line with other forms of iovestmeot, such as bonds, which have traditionally occupied more space io the ordioary household savings portfolio. The stock exchange itself has responded to small investors' demands by introducing a regulated system for the trading of small quantities of shares, which fall below the thrcshold for oo-screeo trading.

Privatisation has not been the only stimulus for the market. The overall amount of new capital raised during 1994 had already reached oearly L11,500ho in mid-September, mucb of that from opportunistic rights issues during the first half of the year. That compares with L16,192bn for the whole of 1993 and only L3,027bn and L4,854bo in 1992 and 1991 respectively.



The difficulty for the Italian authorities is persuading some of Italy's small and medium-sized companies, the real motor of the Italian economy, to *finance* future growth with equity issues, rather than with bank debt.

Mr Gianmario Roveraro, managing director of Akros Finanziaria, an expanding Italian financial-services company, says many family-owned companies are reluctant to seek a listing on the stock exchange. "The advantage of being quoted isn't absolutely evident for those companies which generate enough cash-flow to develop the business adequately," he points out.

As director of a company involved in the development of investment and pension funds, Mr Roveraro helieves more entrepreneurs might be persuaded to take part in the market If tbe number of such funds increased, and it became ohvious that there was an appetite for new equity. To help this process, the Berlusconi government is already preparing regulatory changes to encourage the launching of private pension funds.

At the same time, the stock exchange, securities houses, hanks, industrialists aod chambers of commerce are making plans for the establishment of a second market, for emall and medium-sized companies.

Sceptics are worried that such a market would experience the same difficulties as equivaleots in France and the UK, but advocates point to the success of Nasdaq in the US as a reason for pushing ahead with the plan.

However, even the backers of the Italian second market agree that this will he a difficult task, requiring the co-ordination of investors, intermediaries, regulators and the compaoles themselves. "The potential is there, but it could still be a very difficult market," admits Mr Ventura.

Bonds' difficult year

Anxiety over fiscal deficit

Investors in Italy's government bonds markets have experienced a rough ride this year, with a combination of international economic trends and local political uncertainty hitting prices.

As one of Europe's "high *yielders*", *Italian government* bonds were hard hit by the general retreat of international investors from bond markets in general and high-yield markets in particular, in the wake of the increase in short term US interest rates in February.

In addition doubts have grown about the ability of the government of Mr Silvio Berlusconi to tackle Italy's high fiscal deficit and its heavy debt burden. The delay in the publication of the government's financial programme in July contributed to initial scepticism.

The increase in short-term interest rates from 7 per cent to 7.5 per cent in August followed pressure on bonds and on the lira. Investors have subsequently become concerned that the proposals to reduce the fiscal deficit contained in the 1995 budget, currently before parliament, are insufficiently radical and that political tensions may interfere with hudget discussions.

"*The budget relies excessively* on one-off measures, therehy postponing more significant action for subsequent years," says Mr Jose Alzola, analyst with Salomon Brothers.

Bood yields have risen steadily, both in absolute terms and relative to paper issued by Germany. The yield spread of the Italian 10-year bond – the *BTP* – over the 10 year Bund fell gradually through 1993 and early 1994, dropping from a high of 671 *basis points* in April last year to 255 basis points in May this year. Since then, however, spreads have widened, with the spread in the 425 to 475 basis points range during October and November.

There are some grounds to suggest these fears are overdone. Reductions in inflation has at least partially reflected the *success of measures* to introduce flexibility to the labour market. especially he abolition of the *scala mobile* wage indexation mechanism in 1993.

The economy is growing: GDP is forecast to increase hy 3 per cent in 1995, following an expected 2.2 per cent rise in 1994.

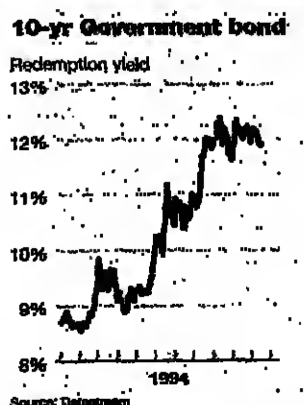
Italy has made good progress over the past four years in *improving* the efficiency and professionalism of its debt markets, and – not withstanding this year's setbacks – it has made some progress both in making its markets more attractive to foreign investors and in increasing the maturities of its public debt, thereby reducing lts vulnerability to shifts in *market* sentiment and changes in short term interest rates.

Traditionally, the bulk of Italy's debt has been short term, *and* much of lt has been in the hands of Italian families. Since most of these hought their bonds directly, rather than through intermediaries, and tend to hold them until maturity, the debt is also relatively illiquid.

During 1992 and 1993, Italy began to extend the maturity of its debt, shifting funding away from short-term bills towards fixed-rate medium and long-term debt. The average maturity of the debt has increased from two years and 11 months at the end of 1992, to three years and two months et the end of 1993, up to three years and five months in February this year; although, since then, *maturities have shortened.*

Stamp duty on bonds was abolished early in 1994, and the system whereby withholding tax was reimbursed to foreign investors improved. Auctions for medium and long term bonds have been streamlined and the time taken to settle trades has been reduced. In addition, a new two-tier system of *market making has* been established, with a number of investment banks asked to play a more active role in the debt market by becoming super primary dealers.

Super primary dealers – so far there are three, J.P. Morgan, Morgan Stanley and Bank of America – must trade in at least 3 per cent of new issues and *secondary market* in all classes of debt paper, and account for at least 1 per cent of trades in each separate class of paper. In addition, they must meet higher *minimum capital requirements.*



Foreign investors bought heavily during 1992 and 1993, increasing their holdings of lira-denominated from 4 per cent of overall debt in 1990 to nearly 15 per cent in 1993, although that figure has since fallen back to well below 10 per cent of the total.

The ratio between debt and GDP, which is expected to reach 128.5 per cent in 1995, is high and remains a source of concern for the markets, which fear it will increase government pressure on a limited pool of savings and *force up interest rates.*

However, Italy's ability to tap the international capital markets could reduce possible upward pressure on interest rates.

Mr Vittorio Grilli, head of the treasury's debt management and privatisation department, says that the aim of the government's eurobond programme is modest. It "is e window on the world ... designed to help increase the foreign component of domestic deht."

Italy completed a $11.6bn euromarket horrowing programme for 1994 in mid-November, when it finalised a Y450bn euroyen issue.

However, the fact remains that the government still has room for manoeuvre. Even after the recent issue foreign currency debt is still estimated by analysts at well under 8 per cent of the total deht.

Richard Lapper

ITALIAN BANKING AND FINANCE IV

Foreign banks: **Andrew Hill** traces the contrasting fortunes of retail and commercial institutions

Deutsche Bank builds on purchase of BAI

There could hardly be a greater contrast between the activities of foreign investment banks and foreign retail and commercial hanks on the Italian market.

While investment banks and securities firms are building up their Itelian activities or turning what was a mere foothold on the peninsula into a base camp for further expansion, their commercial counterparts have mostly retreated, badly hruised.

Lloyds, of the UK, and First Chicago and Wells Fargo, of the US, have all been and gone from the ftalian commercial banking sector. Citibank sold its Naples-based chain of banks to Banco Ambrosiano Veneto. Crédit Lyonnais is said to be seeking a buyer for its investment in Credito Bergamasco in northern Italy, while others – Crédit Agricole and Banque Nationale de Paris, National Westminster of the UK, and Creditanstalt of Austria, for example – maintain only minority stakes in Italian partners.

Only Deutsche Bank has made an out-and-out operational success of an Italian commercial banking investment. It has built on its purchase of Banca d'America e d'Italia (BAI) from Bank of America in 1986. A year ago, it bought Banca Popolare di Lecco, a regional bank based near Lake Como, and now has some 300 hranches in ftaly and 4,200 employees. Underlining its success, the bank has just changed the name of the old BAI network to Deutsche Bank, a brave move in a country which, 50 years on, is still sensitive to anything that implies German occupation.

Mr Gianni Testoni, Deutsche Bank's chief executive in Italy, puts the success down to the German parent's capacity to "think globally, and act locally" and work "prudently, gradually and continuously" – but he still admits that the bank is the exception that proves the rule.

For foreign investment banks and securities houses, the market is a little more crowded, and is likely to become even more so. For example, Finanziaria Indoauez, part of Banqne Indosuez of France, is beefing up Its Italian securities trading and researcb operation; while Salomon Brothers' New York headquarters took a decision in June to expand its presence from a tiny representative office to a full bond-dealing operation with a staff of nine or 10.

This is comparatively small beer, compared with the activities of some of the longer-established operators. J.P. Morgan, which has been in Italy for some 25 years, has more than 300 employees in the country, while Morgan Stanley has registered itself as an Italian bank in its push to win even more Italian business.

The main reason why foreign securities houses have increased their profile in ftaly ln the past four years is the internationalisation of the Italian government bond market, the largest in the world after the US and Japan.

This year the Italian government has introduced a new category of bond dealer – the "superprimary" dealer – to encourage the screen-hased second market in government securities. Such dealers are entitled to greater privileges on the market (for example, a right to participate in supplementary bond issues) than ordinary dealers or primary dealers, but have to take up a greater proportion of issues and trading volume over the year. The title may also appeal to the vanity of anglo-saxon firms, three of which – J.P. Morgan, Morgan Stanley and Bank of America – are

> The main reason why foreign securities houses have increased their profile is the internationalisation of Italy's government bond market

among the 12 authorised superprimary dealers, while others are helieved to be considering an application.

For these hanks, the Italian market has enough potential to justify a little local bureaucratic inconvenience, one of the elements which has hampered the growtb of foreign companies in tbe commercial and retail hanking sector.

For example, UK merchant banks attacked the ftalian law which restricts direct access to the market to locally registered securities houses, called Sims, claiming it was against EU rules. But most have still opted to establish a Sim, or buy into an existing firm, rather than wait for the European Commission or Court of Justice to rule on the case. Schroders, for example, is poised to receive a Sim licence, and by the end of the year should have 15 corporate finance professionals and 25 securities traders working mainly out of its Milan office.

"At the end of the day, it's probably going to take you almost as long and cost you more to fight the Sims law," admits one foreign banker.

However, many UK and US firms still maintain important operations, including equity-research and corporate-finance activities, in London, sending professionals over to Italy when necessary. Goldman Sacbs, for example, has a comparatively small office in Milan, and Mr Claudio Costamagna, who heada the ftalian investment banking operation, says the fragmentation of the market makes it almost as easy to work out of London as out of Milan, when it comes to visiting clients. He adds: "By being in London, being exposed to the rest of the international business community you can bring something to the client that you wouldn't otherwise hring."

Whether hased in Italy or overseas, most foreign firms are after a share of corporate finance business in Italy. Mediobanca, the Milan merchant bank, has a firm hold over corporate finance for the largest Italian companies, but the foreigners believe they can capture a share of international M&A husinesa, and carve a niche in advice for medium-sized local companies looking to expand, float on the stock market, or take over competitors.

They are also front-runners in the competition to advise on ftaly's large privatisation programme, which was launched two years ago.

Thia has led to much hand-wringing in the Italian press about the dearth of Italian investment banks. Over the summer, there were even veiled threats from some more extreme members of the new right-wing Italian government that respected firms like Morgan Stanley might be cut ont of government business if they continued to put their names to unfavourable research about the Italian economy. Happily for foreign firms, these appear to be isolated incidents – indeed, Morgan Stanley has just won the mandate to advise the government on next year's sale of shares in Stet, tha telecoms holding company. However, there is certainly increased political pressure to nurture small Italian investment banks, which suggests that domestic competition could hot up over the next few years. That is a trend generally welcomed by foreign bankers.

"The culture of the domestic participants in the market has become much more international," aays Mr Hendrik van Riel, managing director of J.P. Morgan in Milan. "Anybody can have a view about whether that could hava happened faster, hut it certainly has, and it'a never alowed down. I'm convinced it will continue."

The insurers: casualties are possible

Life offices hope for new business from pensions

Italian motor premiums are now among Europe's most expensive UPP

Bad news is proving to be good business for Italy'a insurance sector, with factors ranging the funding crisis of the country's state pensions system to the war in Bosnia helping to raise profitability.

However, with European-wide liberalisation and the increasing incursioo of banks into the sector, competition is increasing sharply: and, despite the upturn, the industry could see some casualties in the next few years.

ftaly's life assurance chiefs hope that the state's difficulties in continuing to fund pension provision will mean that more Italians will turn to them for savings plans and pension policies. Already growth has heen rapld, increasing hy hetween 10 and 1S per cent over the past five years, following even quicker growth in the early 1980s.

Even though spending per head on premiums has doubled since 1988, the Industry remains underdeveloped hy European standards. Per capita premiums of only $161 in 1991, an amount equivalent to 0.7 per cent of GDP, compared with 1.1 per cent for Spain and 7 per cent in the UK.

Recent growth has heen underpinned by rapld expansion of the bancassurance phenomenon, with most of the country's biggest companies forming links with banks, and a number of banks themselves forming their own life assurance subsidiaries. Banks now sell some 30 per cent of new life premiums, and are expected to increase that share to 50 per cent hy the end of the century.

In the non-life sector, the turmoil in the former Yugoslavia is one of several reasons why claims costs are falling. Military action is acting as a deterrent to car thieves who previously drove stolen ftalian cars across that territory to the east. The epidemic of car theft whicb hit Italian insurers hard in the early 1990s has shifted to Germany and France as a result of the war.

"The war in Yugoslavia has closed the main door for car theft," says Mr Pier Giorgio Bedogni, a senior executlve with SAI, the country's fourth largest company and a leader in the motor husiness. The improvement also reflects a general economic slowdown, which has led drivers to make fewer journeya, and a decline in the number of motorists driving leased cars.

Mr Bedogni says that the war campaign against Mafia-inspired violence has helped to reduce crime, especlelly in some southern cities where there is a military presence on the streets. The fall in claims costs ia contrihuting to a steady improvement in non-life market underwriting results after a perlod of poor performance across the market at the end of the 1980s.

In addition, although Italian companies have only recently been completely freed from government restrictions, premium rates have risen over the past two years. Mr Bedogni says that, following rises in the non-compulsory classes, which cover damage to the car ltself, ftalian motor premlums ara now among the most expensive in Europe. Further Improvement seems likely.

Rate increases averaging 10 per cent have been introduced across the motor market this summer, following the approval of the European Unioo's third non-life directive. Hltharto, rates in tha compulsory third-party motor liahility market – which generates an estimated 45 per cent of non-life premiums – had heen suhject to government control.

Although this should all be good news for the industry as a whole, there is general agreement that competition is intensifying and that many smaller companies, among the 300 or so which populate the market, may he unable to retain their independence.

In the lifa sector, in particular, traditionally high margins – up to three times those achieved hy more efficient French and Britlsh companies – are under severe pressure. Typically, ftalian life insurers have distributed only 70 to 80 per cent of life fund investment returns to policyholders, retaining up to 30 per cent as profits.

Life insurera elsewhere in Europe typically retain only 10 per cent. Companies dependent on agents or financial advisers for their sales could come under especially severe pressure, since banks are able to aell policies with significantly lower overheads.

The privatisatlon of the fstituto Nazionale delle Asslcurazioni (INA), the former government-owned company which was partially privatised this year, should be completely in private hands by the spring of next year – a sale which will, at least indirectly, spur competitlon.

In the past, existing ftalian companies hava been ohllged to cede 10 per cent of premlums – and new entrants 30 per cent of premlums – to INA.

In the non-life market, there are signs that ftalian insurers are beginning to make more use of technology in the way they assess rlsks, a development which should favour those companies blg enough to make the necessary capital lovestment. For example, although differences in rates have traditionally depended on the power of the car and where it is based, some companies are now taking into account the rlsk factors associated with the driver, varying charges according to age, sex and occupation.

Significantly, Generali, the country's largest company, has launched a pilot direct-writing operation, selling motor insurance directly to the puhlic hy telephone along lines pioneered hy companies such as Direct Line in the UK.

Richard Lapper

Managed funds: small investors are becoming more interested in equities

Carrot-and-stick from the state

Fount of wisdom: a word in her ear about equities? UPP

ltaly may be the land of the small company, but it is not yet the land of the small shareholder.

Altbough bousehold savings amounted to nearly 19 per cent of disposal income in ftaly last year – a higher proportion than in tbe US, Japan, Germany, France and the UK – less than 4 per cent of those household financial assets are invested directly in equities. Moreover, only 9.7 per cent of the average household's financial assets are entrusted to institutional investors, such as fund managers.

According to the stock exchange authorities, however, the situation is changing, and ordinary investors are beginning to increase their direct or indirect holdings in equities.

There are two important reasons for this metamorphosls. One is privatisation, and the other is the growth of managed investment funds and pension funds.

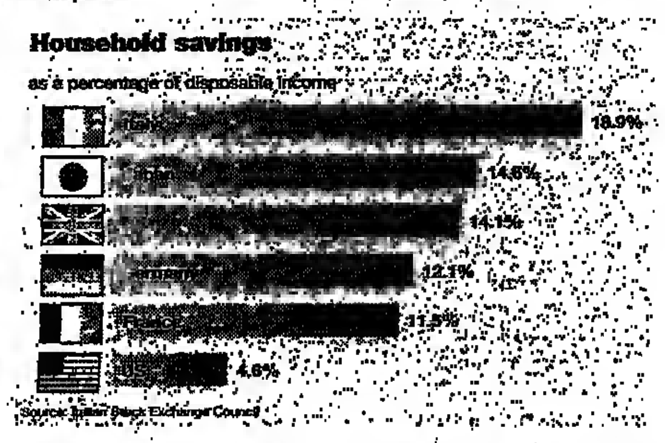
The initial sales in the government's privatisation programme were made directly to private companies; but at the end of last year, the decision was taken to begin a series of public offers of shares in ltaly's three state-controlled hanks, Credito ltaliano (Credit), Banca Commerciale ftaliana (BCI), and IMI, which were already quoted on the stock market, and tba insurer Ina, 100 per cent owned hy the treasury. The declared intention was to stimulate the stock market, and, as in the UK and other European countries, encourage wider share ownership.

All the offers so far have been oversubscribed, hut although that meant the privatisations were a success from the ltalian government's point of view, certain more ambitious advocates of shareholder democracy have been disappointed by the outcome. In particular, they argue that, in spite of restrictions on share ownership, the two big retail banks – Credit and BCI – are now "controlled" hy big corporate allies of Mediohanca, the Milan merchant hank which bas for five decades represented Italy'a higgest corporate and financial interests.

To counter such accusations, the government has introduced new rules, used for the first time in the privatisation of Ina in June, which allow for a list-voting mechanism at shareholder assemblies. In the case of Ina, that meant three of the 13 seats on the board were reserved for nominees of minority shareholders.

In practice, this has failed to satisfy some of the smallest shareholders, who found it difficult to reach the threshold for nominating a list of directors, and claimed that there had been little attempt by the company, the treasury and their advisers to implement the principles of shareholder democracy. "We wanted to underline the importance of this particular assemhly in the context of ftalian privatisation, which has heen a corporate governance nightmare until now," said Mr Paul Dionne, of Milan-hased PVD Advisories, one of the only corporate governance specialists in ftaly.

Mr Lorenzo Pallesi, outgoing chairman of Ina, was particularly critical of the way in which small shareholders had been treated. "I'm sorry that the majority, though very active in supporting lts own initiatives, hasn't given space to representatives of small shareholders: we'll ohviously need time if Ina is to live up to the pluralism of the new company statutes," he said, at the Ina shareholder meeting earlier this month. In the event, the three minority nominees were elected from the list proposed by Imigest, the fund management arm of IMI, indicating another path towards shareholder democracy: the growth of investment and pension funds.



This process is likely to stimulated by the carrot-and-stick approach of the Italian government. It is cutting hack on state pension benefits to avoid the collapse of the state system, thus forcing ordinary Italians to consider more innovative methods of retirement provision. On the other hand, it is contemplating the introduction of incentives for the estahlishment of pension funds.

All participants in the sector are preparing for the growth of this area. For example, IMI, Banca Nazionale del Lavoro, and the fNPS state pension institute, are collaborating to offer advice on setting up and managing funds, while insurance companies are also readying themselves to offer more life insurance products.

Whether this will prompt a revolution in the management of quoted ftalian companies depends on the freedom given to fund management groups, many of which are directly owned by the same hig quoted groups, which might resent any attempt to rock the boat.

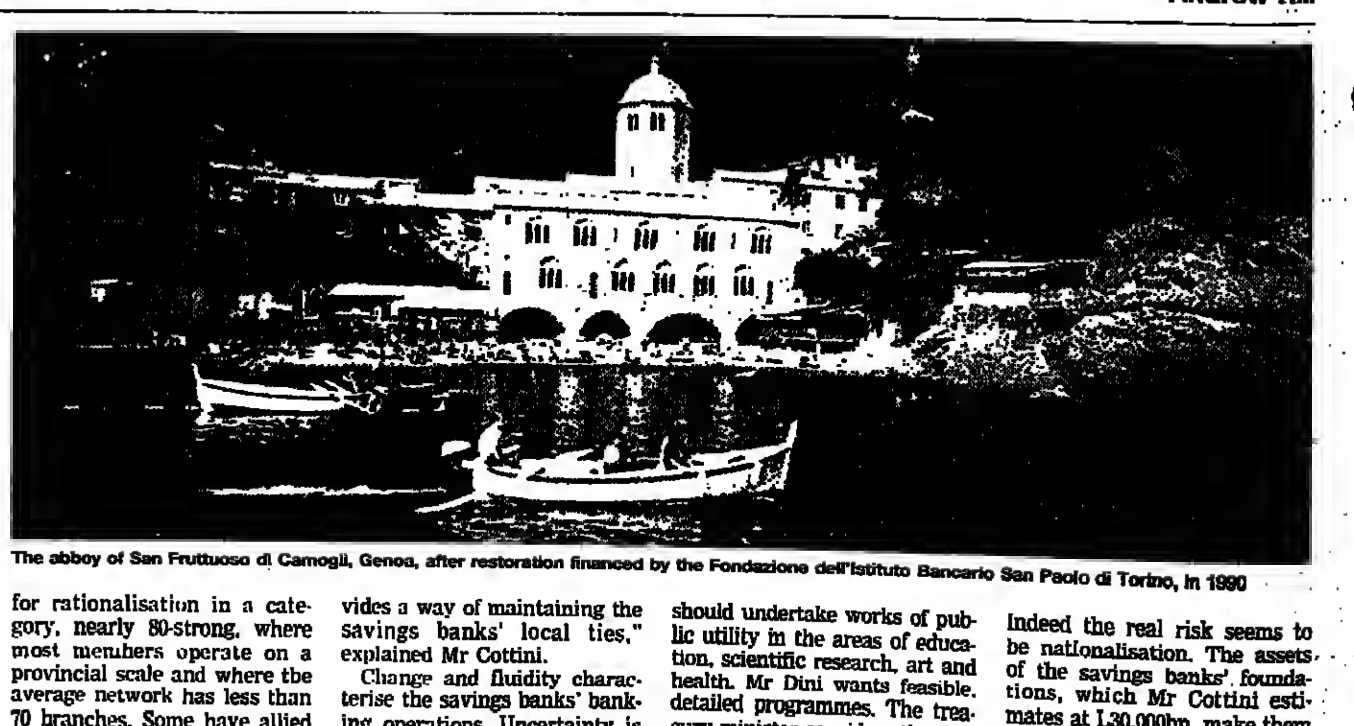
That said, there is already some evidence that fund managers are changing from a passive to an active role in Italian corporate life. Earlier this year, for example, a group of funds warned Sheraton, the US hotels subsidiary of ITT, that they would be particularly vigilant about how the US company exercised its control of Ciga, the ftalian luxury hotels group in which the funds have a minority stake.

However, as Mr Pallesi's comments indicate, creeping change of this sort may not be quick enough for the impatient pioneers of ftalian shareholder democracy.

Andrew Hill

David Lane looks at Italy's most traditional banking institutions

Support for old foundations



The abbey of San Fruttuoso di Camogli, Genoa, after restoration financed by the Fondazione dell'Istituto Bancario San Paolo di Torino, in 1990

Italian ballet students are being helped to aspire to the achievements of compatriots Carla Fracci and Alessandra Ferri. Thanks to Turin's Fondazione Sanpaolo, Milan's La Scala ballet school will be leaving its cramped and inadequate facilities for new huildings at the end of next year. Work has just started on a L5bn project in central Milan.

Assistance for La Scala's ballet school adds a new dimension to the benefaction undertaken hy the Fondazione Sanpaolo di Torino per la Cultura, la Scienza e l'Arte. Since being established in 1985, it has financed the L12bn restructuring of Turin's Egyptlan Museum, and also the restoration of the San Fruttuoso abbey, at Camogli near Genoa, and of the Superga hasilica, Juvarra's baroque masterpiece overlooking Turin.

Milan's Brera gallery, churches in Turin and Rome, and the Turin RAI orchestra are also among the beneficiaries to which funds have been channelled.

Gianni Zandano, Sanpaolo's chairman, explained: "The Fondazione allows us to operate on two fronts – first, the restoration and, in the best sense, exploitation of our cultural heritage; and second, the promotion of sclentific research, paying particular attention to the environment. Both areas of intervention directly concern the quality of life in society today...

"The eatahlishment of the Istituto San Paolo, in 1563, arose from participation in the life and prohlems of society, the bank's predecessors being a charitahle body, the Compagnia per il Soccorso dei Poveri, and the Monte di Pieta' whose aim was to combat usury," Mr Zanadano said, adding that the bank had never fallen short on social commitment.

> Foundations have been told that many need to revise their statutes

The Fondazione is funded by Compagnia di San Paolo, which also funds the charitable organisations Ufficlo Pio and Educatorio Duchessa Isabella. In 1992 and 1993, they spent L17bn on welfare activities, essentially in assisting people at society's margins. The poor, drug addicts, alcoholics and the handicapped are among those benefiting.

Compagnia di San Paolo is the foundatlon established when the Istituto Bancario San Paolo di Torino spun off lts banking activities in 1991. It owns the Sanpaolo Bank Holding, a joint stock corporation owning 76 per cent of the San Paolo Bank that was floated in March 1992 and is listed in Milan, Turin and London. The foundation obtains its income from dividends from its shareholding in the bank.

San Paolo, Italy's higgest banking group, is not alone in having ties to a cultural and charitable foundation. During the past three years, other puhlic sector hanks, including Banco di Napoli, Banco di Sicilia and the savings banks (*casse di risparmio*), have settled on similar ownership structures in which foundations have control. Indeed, Banco di Napoli led the way, being the first to transform itself from a combined foundation and hank into a foundation with a separate bank corporation.

In doing so, Banco di Napoli made use of the Amato Law, the starting point for the shake-up that has heen reshaping the public-sector part of Italy's banking system. Passed in July 1990, the law aimed to create the conditions for rationalisation and concentration by offering fiscal incentives. It was also an early, tentative step to encourage bank privatisations.

Formerly denominated as puhllc law credit institutions, Turin's Sanpaolo and Banco di Napoli both now enjoy stock market quotation. They are leading examples of Amato Law transformations. Cassa di Risparmio delle Provincie Lombarde (the Milan savings bank Cariplo), which ranks fourth on assets and leads in terms of Tier 1 capital, is another.

Cariplo was transformed in December 1991, the foundation spinning off its banking operations into the Cariplo SpA joint stock corporation. Since then, it has been engaged in a campaign of acquisitions of shareholdings in other savings banks, either directly or indirectly through sub-holdings.

It has controlling interests in the savings hanks of Puglia, Citta' di Castello, Viterbo, and Calabria and Lucania. Significant minority ahareholdings give Cariplo a place in 11 other savings banks in central and northern ftaly.

While Cariplo has been casting its eyes over the savings banks and exercising its financial muscle and skills of persuasion to draw some of the many small and medium-sized *casse* into its orbit, Banca di Roma (controlled by the Cassa di Risparmio di Roma) and the Turin's Banca CRT have been doing the same.

There has been large scope for rationalisation in a category, nearly 80-strong, where most members operate on a provincial scale and where tbe average network has less than 70 hranches. Some have allied themselves in holdings, a solution adopted by groups of savings banks in Emilia Romagna and Tuscany. Projects for other alliances and for mergers will lead to furtber concentration among savings banks, a category with nearly 30 per cent of the banking system's deposits.

"The situation is fluid," said Pier Giulio Cottini, general manager of ACRI, the Italian savings banks' association. He noted that the use of holding companies has the advantage of giving a voice to tha amall participating banks. "It provides a way of maintaining the savings banks' local ties," explained Mr Cottini.

Change and fluidity characterise the savings banks' banking operations. Uncertainty is a feature of their controlling foundations. Tbis was made clear at the annual meeting of the Italian banking association ABI in June. Treasury minister Lamberto Dini said that most foundations were pursuing vague objectives, and had an unsatisfactory spread of uncoordioated and non-bomogeneous interests.

Mr Dini, whose ministry oversees the foundations while the banking activities are auper-vised by the Bank of Italy, reminded the foundations that many need to revise their statutes. The law foresees that they should undertake works of public utility in the areas of education, scientific research, art and health. Mr Dini wants feasible, detailed programmes. The treasury minister considers that the foundations should co-ordinate their activities, and even merge.

He may appoint a commissloner if he considers that a foundation is not being correctly administered. The treasury also has the powers to give general or specific indications on how foundations should invest. Mr Dini sald that there must be diversification away from banks. A controlling public shareholding is no longer a requirement. Moreover, foundations that sell their hank shares will not incur capltal gains tax.

Privatisation is not an issue. Indeed the real risk seems to be nationalisation. The assets of the savings banks' foundations, which Mr Cottini estimates at L30,000bn, make them an attractive target for cash-strapped puhlic bodies.

With this kind of money under management, even though annual dividend income is probahly a modest L300hn to L500hn, membership of the boards of the savings banks' foundations' offers appetising opportunities for patronage. At present, there is no statutory requirement for independent audit, nor for the publication of annual accounts. Mr Dini could give a boost to transparency, and put the boot into bad old practices, by opening up the foundations to puhlic scrutiny.

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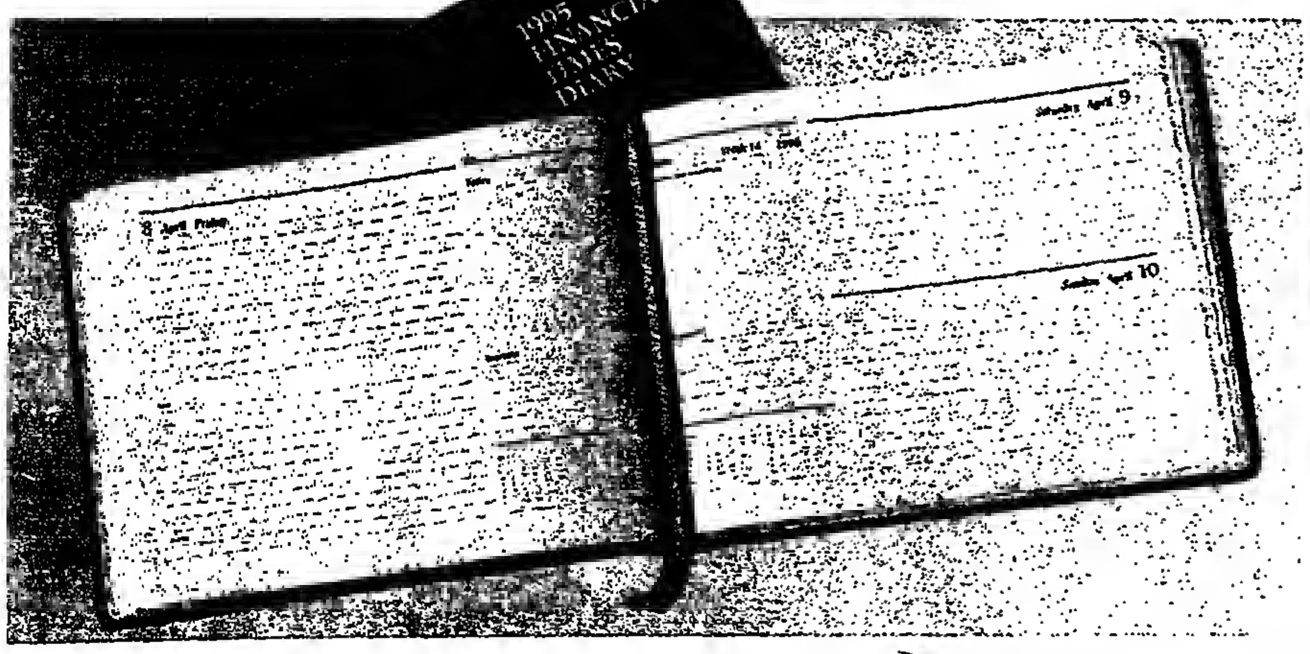

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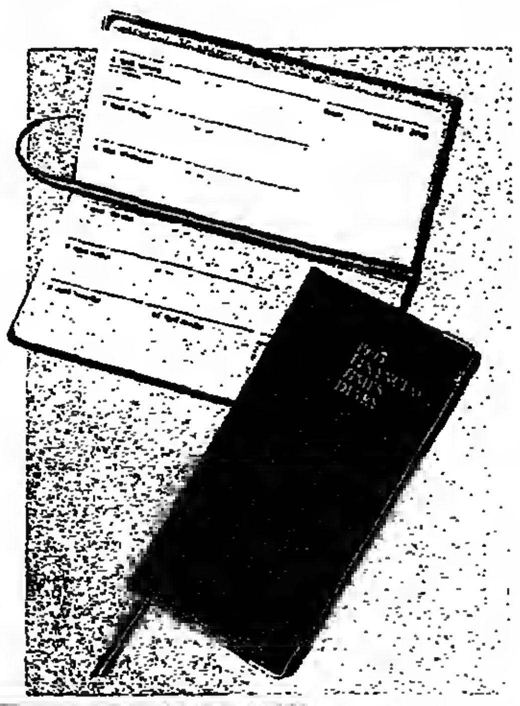

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COMMODITIES AND AGRICULTURE

Coffee prices plunge on Brazilian stocks surprise

By Deborah Hargreaves

Coffee pricea tumbled yesterday as hedge funds baled ont of the market leaving the January futures contract at the *London Commodity Exchange* $265 a tonne lower at $2,870 a tonne.

The sharp fall in prices takes the market back to its level at the end of June before the second Brazilian frost sent it over $3,000 a tonne.

Analysts interpreting technical signals from price charts said the market could rapidly slip to $2,620 a tonne, the next support point, and after that, to $2,480 a tonne. If prices break through these supports they will return to levels in place before Brazil'a first frost damaged coffee trees leading to supply fears.

The downturn was sparked off by the news thet Brazilian coffee stocks were 15m bags *(60kg each)*, higher than traders expected. But the influential hedge funds have taken a very negative view of the coffee market in recent weeks, fuelling the price decline.

Roasting companies, which have seen purchases fall in the shops, have their needs well covered and are not rushing to buy as the market drops.

"There is a significant battle between producers and consumers over which way prices go," said Mr Lawrence Eagles, analyst at GNI, the London brokers. "The market is awash with coffee now, but it will be tight again next year."

● Prices on the London Metal Exchange finished lower but trading was not particularly hectic,writes Kenneth Gooding. Traders said copper led the way down and pulled other metals with it.

Mr Angus MacMillan, research manager at Billiton Metals, said the metal markets were overdue for a more substantial downward "correction" but it was too early to say whether the falls seen this week were the start of this process. Prices could fall substantially before the year-end if the investment funds decided to lock-in their profits, he said.

CAP sweeteners proposed for central Europeans

By Lionel Barber in Brussels

Tbe European Commission yesterday proposed short-term action to redress the imbalance in agricultural trade between the European Union and the former socialist countries of central and eastern Europe.

The proposals are intended as aweeteners to the central Europeans ahead of the difficult debate on reform of the common agricultural policy. Without further CAP reform, Poland, the Czech republic and Hungary, the front-runners, have little chance of realising their goal of EU membership by the turn of the century.

The commission plans to adapt the EU association agreements with the central Europeans to take account of the Gatt Uruguay Round, which will substantially cut the volume of subsidised food exports.

The proposals – which must be approved by ministers from the member states – include:

● Reduction of all customs duties by 80 per cent where preferential access to the EU market has been provided by tariff quotas.

● Acceleration of concessions already granted in the association agreements, so they can begin in July 1, 1995.

● An increase in tariff quotas by 10 per cent per year for five years.

● More flexibility for the central Europeans to take advantage of tariff quotas. This would mean regrouping individual tariff quotas for a particular sector into one global quota.

The commission is also promising to conclude agreements with the associated EU members – Poland, the Czech republic, Hungary, Slovakia, Bulgaria and Romania – on sanitary and plant health matters. The aim is to prevent a recurrence of the row over selective import controls on animal exports last year.

Moscow sugar futures start next week

Tbe Moscow Commodities Exchange plans to start trading rouble-denominated white sugar futures on November 28, officials at the exchange said yesterday, reports Reuters from Moscow.

Trading will be for standard one-tonne contracts with January the first delivery month.

Mr Vladimir Totsky of the exchange's futures department said be expected both Russian and foreign traders to participate. "We already have E.D. & F. Man [and international trade house] among the participants. Sucden will also be present at our first trading session," he said. Russian participants were Russky Sakhar, the Eastern European Company and Prodimpex.

Officials said trading would be based on the electronic board system, and not open outcry as planned initially.

Indian coal tender result worrying for steel producers

By Gerard McCloskey

Steel producers have been given a sharp reminder of the state of the coking coal market with the results of a tender by the Steel Authority of India. Not only has it been undersubscribed – there simply is not enough coal available – but prices are up to $10.50 higher than the current level of the Japanese steel mills' contracts of $45.45 a tonne, f.o.b. Australia and Canada.

The tender result comes just as coking coal suppliers are gathering in Tokyo at the start of negotiations of prices for deliveries in 1995-96. Although the steel mills have offered roll-over prices, the debate will be over not whether there will be a price rise but the extent of that rise.

The Indian tender saw just 1.5m tonnes offered against a request for 2m for 1995 supply. A further 450,000 tonnes was bid but breached the stringent World Bank conditions for qualifying bidders. The result has put the mill in an extreme quandary. Not only are the prices high – the lowest Australian bid is $7.50 higher than the Japanese price – but the option to offer more tonnage in exchange for coal producers being flexible on price levels is not available this year: there simply is no coal available.

Steel producers in both Asia and Europe are bracing themselves for higher price levels – particularly in Europe where f.o.b. prices are between $2.50 (For Australian supplies) and $6 (for Canadian supplies) lower than for similar coals sold In Japan.

As the Indian tender demonstrates, the anxieties are not limited to prices; supplies are extremely short. While this has caused great inconvenience in 1994, with steel production recovering from the slump of the previous two years, in 1995, when even higher steel output is expected, the shortage could become critical. Although some slight expansion of output is possible in Queensland and Canada, it is thought that this will not compensate for reductions in US availability.

If these were not problems enough, there has been a major derailment of a coal train to Queensland, halting the flow of steam and coking coal to the coal ports of Hay Point and Dalrymple Bay.

Although the line is expected to be fully operational within a week, this disruption will be felt immediately. Coming hard on the heels of two derailments of the South Africa coal export line to Richards Bay and of severe flooding of the pits in Colombia's Guajira region, the Queensland mishap has reinforced the view that the 1994 coal market is jinxed.

Indonesia mobilises for fight against deforestation

Manuela Saragosa reports on initiatives aimed at saving the world's second biggest forested area

In *Kalimantan, the Indonesian part of Borneo, seemingly endless forests cover* the landscape, creating the impression of an infinite resource. It is difficult to picture this vast, rugged, sparsely populated region stripped of most of its trees.

Yet the World Bank warns that harvests from Indonesia's tropical forests, the world's largest after Brazil's, are running about 50 per cent higher than the estimated sustainable cut.

Indonesia's minister of forestry, Mr Djamaludin Suryohadikusomo, has set in motion a plan to deal with the problems of deforestation, the first Indonesian minister to take such action.

In September he introduced a restructuring of government regulations on forestry management, promising to crack down on logging companies that fail to manage their concessions responsibly. The regulations are aimed at loggers who cut trees outside their concession areas, illegally convert logged forest land to agriculture or *fail to replant.*

Mr Djamaludin admitted there were only 113m hectares of natural forest cover left in Indonesia, as opposed to earlier claims of 141m ha.

The minister announced that as the current 20-year logging concessions expired forest areas would be converted into a new type of management unit, operating on a long-term basis and having an average size of 100,000 ha. "If someone is managing a forest area, as opposed to just having a licence to sell the stock in a concession area, then there is a far greater incentive to protect it," commented a Jakarta-based forestry consultant.

The current duration of concessions does not encourage replanting of trees that will take about 70 years to mature.

Supporters of the new system argue that it will encourage loggers to make inventories of tree stocks, providing the data needed to maintain a constant growing stock and facilitating sustainable development of the resource.

Not everyone is convinced, *however. It could take 25 years* to implement the system and at current rates of deforestation, Indonesia's forests do not have that much time left. It would be far more effective, argue some consultants, to create an independent policing system to ensure government regulations were observed.

The Institute of Eco-labelling, set up by Indonesia's former minister of environment Mr Emil Salim, could take on this task. But progress has been thwarted by arguments between pressure groups, consultants end officials, who cannot agree on how the institute should be managed or what its purpose should be.

The idea initially was to label forest products from a sustainable forest resource as "environmentally sound", with manufacturers subscribing to the system voluntarily. The problem is that most Indonesian timber products are exported to Taiwan, Japan and Korea, where environmental concerns have low priority.

This has convinced some that eco-labelling needs to be *compulsory*. An independent inspection team publishing its reports would ensure public accountability and a degree of transparency in the forestry sector that has not existed to date.

The punishment of offenders would be left to the Ministry of Forestry.

There is no doubt that Mr Djamaludin's team has powers to deal with offending loggers. Recently, the ministry took over 49 per cent of the shares in two concessions supplying timber giant PT Barito Pacific Timber, as punishment for irresponsible forest management. It was an unprecedented move that tackled one of the most powerful forces in the forestry sector and was designed to send warning signals to other concession holders.

The question is whether Mr Djamaludin has the political clout to deal effectively with illegal and irresponsible logging. Indonesia's forestry sector is politically powerful and Mr Djamaludin's crackdown on offenders has *been irregular and arbitrary as* a result.

The forest products sector is run almost single-handedly by timber merchant Mr Boh Hasan, who is close to the presidential family. There are five different forestry associations, all headed by Mr Hasan.

The most significant, Apkindo, the association of plywood producers, is often regarded as a major culprit in accelerated deforestation. It operates as a cartel, setting prices for plywood below international levels, ensuring that Indonesian manufacturers keep the lion's share of the world market. Indonesia earned $4.5bn in exports of forest-based products last year, of which 75 per cent was from plywood.

The association decides who gets an export licence, where a manufacturer will export to and at what price.

Apkindo's political clout has been sufficient to ensure that concessions to manufacturers are cheap. Royalties on logs sverage about $22 a cubic metre, compared with between $60 to $80 in *other parts of the* world. "This creates a cavalier attitude towards the resource," said a forestry consultant.

In an effort to slow down the rate of deforestation, Mr Djamaludin announced that the total annual allowable cut would be lowered to 22m cu m from 33m. It is a bold move, but does not address another cause of accelerated deforestation in Indonesia – illegal logging.

Mr Indro Tjahjono, a co-ordinator at Skephi, an Indonesian pressure group working for forest preservation, says 40 to 60 per cent of all logging is illegal. Other estimates put the demand for illegal logs at around 60m cu m a year.

The scale of illegal logging underlines the urgent need for effective policing. Ms Emmy Hafild, of the environmental pressure group Walhi, points out that some 50 per cent of the Ministry of Forestry's employees work in Jakarta. "They're In the wrong place," she says. "They should be out to the field guarding the forest."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1962-3	1967-8
Previous	1967-8	1992-3
High/low	1960	1970/1930
AM Official	1960-1	1955-5.5
Kerb close		1956-7
Open int.	251,847	
Total daily turnover	62,467	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1870-80	1900-05
Previous	1865-75	1900-05
High/low		1905/1880
AM Official	1856-60	1885-90
Kerb close		1890-5
Open int.	2,936	
Total daily turnover	136	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	667.5-8.5	685.5-6.0
Previous	671.5-2.5	689-90
High/low		
AM Official	660-1	678.5-9.0
Kerb close		
Open int.	42,973	
Total daily turnover	8,779	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7575-85	7700-05
Previous	7650-60	7775-80
High/low	7590	7725/7650
AM Official	7589-90	7710-15
Kerb close		7720-5
Open int.	66,868	
Total daily turnover	11,170	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6130-40	6220-25
Previous	6215-20	6305-10
High/low		6230/6180
AM Official	6120-30	6210-20
Kerb close		6190-200
Open int.	21,311	
Total daily turnover	5,786	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1143-4	1170.5-1.0
Previous	1165.5-6.5	1192-3
High/low	1135.5/1135	1175/1158
AM Official	1135.5-6.0	1162-2.5
Kerb close		1174-5
Open int.	110,585	
Total daily turnover	26,386	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2802-4	2760-2
Previous	2835-7	2811-2
High/low	2778/2775	2768/2753
AM Official	2776-7	2767-8
Kerb close		2779-80
Open int.	234,790	
Total daily turnover	62,983	

■ LME AM Official £/$ rate: 1.5746
LME Closing £/$ rate: 1.5707
Spot:1.5720 3 mths:1.5727 6 mths:1.5709 9 mths:1.5696

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	129.75	-3.35	132.20	129.70	510	189
Dec	130.35	-1.90	132.45	129.70	21,390	2,069
Jan	128.55	-0.80	128.50	128.00	1,002	168
Feb	127.55	-0.75	127.00	127.00	786	11
Mar	126.15	-0.80	127.80	125.60	19,891	7,387
Apr	124.45	-0.40	125.50	124.50	677	25
Total					56,132	11,155

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.80-385.20	
Opening	384.30-384.70	
Morning fix	384.50	244.111
Afternoon fix	384.70	244.487
Day's High	385.40-385.70	
Day's Low	384.10-384.40	
Previous close	384.10-384.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.96 6 months 5.45
2 months ....5.10 12 months 5.92
3 months 5.17

Silver Fix	p/troy oz.	US cts equiv.
Spot	328.40	517.00
3 months	333.20	524.55
6 months	338.40	532.45
1 year	351.20	551.80

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	245-248
Maple Leaf	395.25-397.70	
New Sovereign	90-93	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	384.6	+1.0	-	-	49,211	27,643
Dec	384.7	+0.8	385.5	384.5	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	106.00	+0.75	-	-		30
Jan	106.00	-0.50	106.50	106.00	142	62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Cotton

Liverpool- No spot or shipment sales were recorded for the week ended 18 November against 424 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. Cost of raw cotton deterred users from increasing their purchases.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	976	-1	978	970	16,550	540
Mar	991	-2	994	989	52,202	1,650
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
[illegible]	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 23	Nov 22	month ago	year ago
2128.8	2123.3	2099.0	1619.9

■ CRB Futures (Base: 1967=100)

Nov 22	Nov 21	month ago	year ago
231.15	231.50	232.25	222.18

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	68.250	-1.175	69.275	68.100	22,702	6,797
Feb	68.275	-0.950	69.175	67.925	27,236	4,080
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	35.850	-0.775	36.150	35.300	7,902	1,844
Mar	35.825	-0.725	36.350	35.500	1,277	293
May	36.950	-0.775	37.875	36.900	449	73
Jul	37.900	-0.700	38.700	37.900	364	83
Aug	36.700	-0.900	37.500	36.700	99	14
Feb	42.000	+0.000	42.000	-	1	1
Total					10,113	2,309

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1900	128	150	68	110
1950	101	127	91	136
2000	79	106	118	163
■ COPPER (Grade A) LME	Feb	May	Feb	May
2750	127	132	90	164
2800	102	110	114	194
2850	81	92	143	227
■ COFFEE LCE	Jan	Mar	Jan	Mar
3300	33	99	460	546
3350	28	91	505	588
3400	23	81	550	628
■ COCOA LCE	Dec	Mar	Dec	Mar
950	69	84	28	39
975	54	70	38	50
1000	42	58	51	63
■ BRENT CRUDE IPE	Jan	Apr	Jan	Apr
1600	113	122	5	53
1650	71	94	22	75
1700	42	71	37	102

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$15.87-5.94z	+0.08
Brent Blend (dated)	$16.85-6.88	-0.28
Brent Blend (Jan)	$17.01-7.03	+0.02
W.T.I. (1pm est)	$18.00-8.02z	+0.25

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$174-176	-1
Gas Oil	$152-154	-1.5
Heavy Fuel Oil	$103-104	-4.5
Naphtha	$178-182	
Jet fuel	$171-174	+1.5
Diesel	$158-160	+1

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)♣	$385.00	+0.70
Silver (per troy oz)♣	517.5c	+2.0
Platinum (per troy oz.)	$410.35	+2.15
Palladium (per troy oz.)	$155.00	+0.40
Copper (US prod.)	138.0c	-3
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.69r	-0.06
Tin (New York)	291.5c	
Cattle (live weight)†	115.61p	+0.22*
Sheep (live weight)†♦	107.10p	+3.03*
Pigs (live weight)	76.33p	-0.40*
Lon. day sugar (raw)	$351.3	+9.3
Lon. day sugar (wte)	$412.0	+8.5
Tate & Lyle export	£337.0	+5.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0v	
Wheat (US Dark North)	£165.0v	
Rubber (Dec)♥	88.00p	
Rubber (Jan)♥	87.75p	
Rubber (KL RSS No1 Jul)	345.0m	+1.0
Coconut Oil (Phil)§	$715.0q	+20.0
Palm Oil (Malay.)§	$720.0u	+32.5
Copra (Phil)§	$444.0q	+6.0
Soyabeans (US)	£165.0	
Cotton Outlook'A' index	78.40c	+0.20
Wooltops (64s Super)	460p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day. † - 14/11/94 Corrected figure for WTI $17.90-7.92

JOTTER PAD

CROSSWORD

No.8,619 Set by ADAMANT

ACROSS

1 Can limo make a detour round the arch for the king? (11)
7 Line takeo by a Catholic (3)
9 The impetus of Verdi's work (5)
10 Agreement from all world politicians that "friendly state" describes Ulster (9)
11 Shocking painting brought back by university graduate on time, we hear (9)
12 Unable to contain his initial song (5)
13 Dealt witb, baving been brought down (7)
15 See an order for the machinery (4)
18 Going to lose one medal (4)
20 Out east, cholera's the material for research student (7)
23 Nothing in the trick to disturb your slumber (5)
24 Men died, all a-quiver, having embraced brief moment of low-life (4-5)
26 12th December : I go into Italian cathedral (9)
27 They object to being outside the king's unit (5)
28 Invite a couple round for some refreshment (3)
29 Diplomats make second cut to reduce the perspective (11)

DOWN

1 Reflect that the other team tied (8)
2 Is in the grip of suspicion? Bother! (8)
3 Cold blooded group manipulate the EMU (5)
4 Initial undertaking and the development were spirited (7)
5 Left after opportunity offered by sanctuary (7)
6 It's said to be waste material (9)
7 Put up a sheet of wood for the beast .... (6)
8 .... who was firm, yet dithered with love (6)
14 Loaf around, there's nothing else scattered inside, just paper (9)
16 Ringing for information in the factory (8)
17 Fellow oboist who is no longer bound to work? (8)
19 More sanctimonious to turn out the idler (7)
20 Warrant a call (7)
21 Direct negotiations to get money in advance (6)
22 Drink taken up to the roof (6)
25 A few words to put after the car test (5)

Solution 8,618

C	R	U	T	C	H		A	N	I	S	E	T	T	E
A		N		A		M		O		U		A		X
R	E	D	U	N	D	A	N	T		C	O	M	I	C
A		E		T		T		A		C		P		I
P	A	R	T		S	T	A	B	L	E	L	A	D	S
A		H		S		E		L		E				E
C	L	A	T	T	E	R		E	N	D	U	E	D	
E		N		A						I		V		A
	E	D	I	T	O	R		S	O	N	L	E	S	S
R				I		O		T		G		R		S
A	S	T	R	O	L	O	G	E	R		A	G	R	A
I		O		N		S		E		M		R		S
S	E	P	I	A		T	H	R	E	A	T	E	N	S
E		I		R		E		S		M		E		I
D	O	C	K	Y	A	R	D		C	A	N	N	O	N

LONDON STOCK EXCHANGE

MARKET REPORT

Equities stunned by latest Wall Street sell-off

By Steve Thompson

The UK stock market posted its fifth heaviest fall this year as the big sell-off on Wall Street, which started on Monday, gathered pace, triggering further sharp losses across world markets.

At the end of a trading session fraught with anxiety, the FT-SE 100 Index closed a further 51.2 or 1.6 per cent lower at 3,027.5. Since the start of the week the index has fallen 103.5 points or 3.3 per cent.

The weakness encompassed the second liners and smaller stocks, with the FT-SE Mid 250 Index losing 56.5 or 1.6 per cent at 3,488.8. The market's negative trend was reinforced by a massive derivatives operation – believed to be the single largest in UK options – carried out by NatWest Securities. The house bought more than 20,000 puts giving the right to sell the Footsie at 2,800 in January.

Dealers commented that the trade probably did not represent the view that the Footsie would fall to that level. It was seen as part of an arbitrage possibly enabling the house to go short on the Footsie and buy into an overseas market, possibly the Nikkei or the Dow. However, it still represented a gloomy view of London's prospects.

The extent of Wall Street's weakness on Tuesday evening shocked analysts. The 91-point drop in the Dow Average came in the wake of a 46-point slide on Monday, leaving the Dow with a fall of above 3.6 per cent on the week to date.

And there was more bad news for international markets, including London, when the Dow slid more than 30 points shortly after the US market opened yesterday.

Marketmakers in London were in no mood to absorb stock at the start of trading, and dropped their opening prices to head off any large-scale selling. The Footsie opened around 40 points lower and staged a brief rally to the 3,042 mark. However, support quickly crumbled and the index was soon back on the downward path as traders picked up the scent of another retreat by Wall Street.

At its worst the FT-SE 100 was down 68.6, and the market was alive with wild rumours that Wall Street was about to stage a fall of 1987 proportions. "For a while the market got very spooky indeed," said a dealer.

Wall Street's opening, although weak, brought a measure of relief to the market here, and shares stabilised and then edged up to close well above the day's lows.

Trends in international bond markets gave a measure of support to equities. US Treasury bonds responded to the success of the latest auction of five-year bonds, German bunds rose sharply in the wake of better than expected money supply news in Germany, and gilts made rapid progress.

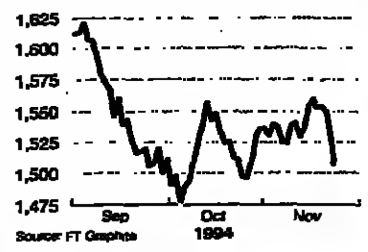
Turnover reached 710.8m shares, with non-Footsie stocks accounting for 55 per cent of the total. Customer business was "poor", with trading between marketmakers, always anxious to avoid carrying large lines of stock on their books in such volatile conditions, said to have been exceptionally heavy.

There was some comfort for the market with news that the strategy team at UBS, one of the more bearish securities houses, has increased its mid-1995 FT-SE 100 target by 200 points to 3,200 and its end-1995 target by the same amount to 3,400, after positive revisions to its UK economic forecasts.

UBS's Mr Bill Martin has raised his forecast of UK growth in GDP by ½ percentage point to 4¼ per cent, cut his inflation forecast by 1¼ percentage points to 3½ per cent and, most importantly, cut his end-1995 forecast of UK base rates by 2 percentage points to 8 per cent.

Dealers are hoping for a period of calm in European markets, which they expect to trade quietly during today's Thanksgiving holiday in the US. Wall Street opens for a half day on Friday. "We are not looking for many fireworks until the Budget on Tuesday," said one.

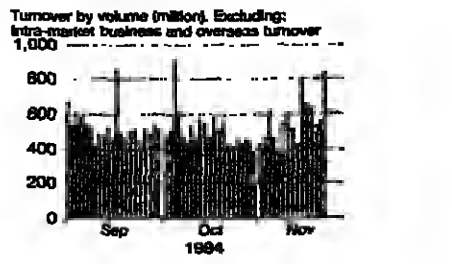
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3027.5	-51.2	FT Ordinary index	2323.8	-45.3
FT-SE Mid 250	3488.8	-56.5	FT-SE-A Non Fins p/e	18.30	(18.59)
FT-SE-A 350	1521.2	-25.5	FT-SE 100 Fut Dec	3024.0	-55.0
FT-SE-A All-Share	1507.68	-24.84	10 yr Gilt yield	8.50	(8.58)
FT-SE-A All-Share yield	4.04	(3.97)	Long gilt/equity yld ratio:	2.13	(2.19)

Best performing sectors

1. Breweries .... -0.5
2. Health Care .... -0.8
3. Gas Distribution .... -0.8
4. FT-SE SmallCap ex IT .... -1.0
5. Pharmaceuticals .... -1.0

Worst performing sectors

1. Telecommunications .... -3.1
2. Tobacco .... -2.8
3. Printing, Paper & Pckg .... -2.7
4. Merchant Banks .... -2.6
5. Diversified Inds .... -2.5

Profits up but T&L slips

Dealers in Tate & Lyle reported a badly handled selling order early in the session which cast a shadow over the group's impressive full-year figures.

A block of around 600,000 shares was said to have done the damage, bringing an early retreat in the stock. The shares closed 9 lower at 430p.

A further slide in the stock was prevented by euphoria at an impressive 23 per cent increase in full-year profits to £273.8m, which topped the most optimistic forecasts and persuaded many analysts to upgrade profit expectations.

Credit Lyonnais Laing increased its current year forecast by £25m to £311m and the following year's figure by £35m to £354m. Reiterating their buy stance on the stock, analysts at the securities house said: "We believe the company will be able to report 10 per cent dividend growth for the next three years while at the same time increasing dividend cover."

Mr Carl Short at Strauss Turnbull raised his forecast by a more modest £5m to £290m and advised investors to take profits as he expects "slower earnings growth in the year to September 1995".

SmithKline bounces

Pharmaceuticals group SmithKline Beecham recovered strongly as the company announced a £920m ($1.45bn) disposal. The shares, down 12 at one stage, ended a net 2 off at 421p, while the Units, which tend to reflect US interest, finished marginally lower at 385p.

SmithKline is selling its global animal health business to Pfizer and, although the move had been anticipated, it was only expected to realise only one to 1.5 times annual sales. In fact, it went for 2½ times sales and is expected to reduce the net debt to around $1.7bn.

Mr Paul Krikler of Goldman Sachs applauded the deal, saying: "This clearly demonstrates that management has kept to its promise to reduce debt through disposals. In addition, the price looks very good."

Courtaulds lower

Hard-hit chemicals group Courtaulds fell 15 to 425p as several analysts felt the hoped-for turnaround had yet to arrive. Rising raw material costs ensured that interim profits were down to £81m from £96m previously. UBS maintained its bearish view and bottom of the range full-year forecast of £150m, while Kleinwort Benson reduced its estimate by £10m to £155m, arguing that it was too soon to be an aggressive buyer.

More enthusiasm emanated from Hoare Govett, which responded to news that Courtaulds is to raise its own prices from January and invest £90m in a plant for Tencel, the company's new fibre. Mr Martin Evans of Hoare confirmed his top of the range estimate of £170m, saying: "The bull points far outweigh the well worn negative issues."

British Aerospace moved ahead against the market, although there was some confusion caused by the adjustment for the group's two-part rights issue.

The shares closed at 434p, with the group collecting £178m for the first tier of its planned rights issue and thus – as the market saw things – ensuring that BAe can press ahead with rationalisation of its turbo-prop business.

The second part of the cash call hinges on the group winning its £560m bid battle with GEC for submarine maker VSEL. GEC dipped 6 to 275p.

Telecom shares were active, with BT, the most heavily traded Footsie stock, turning over 14m shares and proving the star performer in the traded options market. The stock ended 10 lower at 369p.

Cable and Wireless, also a heavily traded stock option, shed 15 to 370p in 7m turnover in spite of a buy recommendation for its HK Telecom subsidiary from Salomon Brothers.

Vodafone retreated 8½ to 195½p as the market took stock of the bad debt charges in Tuesday's results statement.

Having slipped to within a half-penny of its 182p flotation price, TeleWest Communications ended all-square at 185½p, with the shares again heavily traded between London and New York.

Investors said yes to TSB following encouraging reports on mortgage lending margins from rival Abbey National on Tuesday. The shares stood out in the Footsie with a rise of a half-penny to 219½p. High Street bank Lloyds, which will also be a leading player assuming the Cheltenham & Gloucester Building Society deal goes through, eased 3 to 573p. Abbey National slipped 9 to 403p, with Credit Lyonnais Laing a keen seller.

Paper group Bowater was one of the leading casualties in the market as it transpired that the company's meeting with its broker was less positive than previously thought. The shares fell 23 to 447p.

News that BTR's chief operating officer was stepping down (although staying on the board) helped depress sentiment at the diversified industrial group. Bob Faircloth is effectively number two to chief executive Alan Jackson. The shares dipped 12 to 284p in 11m turnover.

Harrisons and Crosfield fell 8 per cent on a gloomy statement about disposal losses with the shares tumbling 13 to 149p in very heavy trading volume for H&C with 12m shares changing hands.

Engineering shares with a heavy bias towards the US economy came in for stern treatment, notably Siebe which tumbled 16 to 554p and TI Group, down 8 at 364p. Both companies get more than 40 per cent of turnover from North America.

Food retailer Argyll Group was one of a handful of stocks that bucked the poor market trend. The shares advanced 2 to 267p, on an unconfirmed report that BZW had advised investors to switch into the stock and out of J Sainsbury. Others simply attributed the rise to catching up after a period of underperformance, ahead of next week's figures. Sainsbury relinquished 5 to 406p.

Reports of a sell note on WH Smith Group left the shares trailing 8 to 462p, though Panmure Gordon was said to have advised investors to buy the stock on weakness.

Shares in Granada Group resisted the market slide to close unchanged at 516p, unchanged on the day, after the group reported better than anticipated interim figures.

Full year profits rose 51 per cent to £265m and the dividend increased by 14 per cent. One analyst said, "the profits are of course wonderful but the cash generation policy is particularly impressive."

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (7).
GILTS (1) ELECTRNC & ELECT EQUP (1) Control Tech. ENG. VEHICLES (1) Airflow Streamlines. EXTRACTIVE INDS (1) Vogels. OTHER SERVS & BUSNS (2) Bertam, Greenway. WATER (1) South Staffs.
NEW LOWS (286).
BANKS (3) First Natl Fnnce 7pc Pf., Mitsubishi, Sanwa. BREWERIES (1) Kirin. BUILDING & CNSTRN (14) BLDG MATLS & MCHTS (12) CHEMICALS (5) BTP, Courtaulds, Hickson Intl., Manders, Yorkshire Chems., DISTRIBUTORS (10) Caverdale, Central Motor Auctions, Charles Sidney, EW Fact, Gardner, Headlam, Heritage, Molaya, Perry, Vardy (R). DIVERSIFIED INDLS (10) ELECTRNC & ELECT EQUP (6) Bowthorpe, CML Micro, DRS Data Res, Prestec, Sony, Telemetrix. ENGINEERING (6) Barry Wehmiller, Clyde Blowers, Cooper (Fr), Eadie, Triplex Lloyd, Wagon Industrial Pf. ENG. VEHICLES (1) BSG. EXTRACTIVE INDS (14) FOOD MANUF (6) Acatos & Hutch, Albert Fisher, Finlay (J), Hazlewood, JLI, Pascoe's. HEALTH CARE (5) Amersham Intl, Assoc. Nursing Servs., Biotrace, Eyecare Prods, Haemocell, HOUSEHOLD GOODS (3) Cornwall Parker 'A', Creighton Naturally, Ebsef. INSURANCE (5) Aon, FAI, Independent Insce, JIB, Marsh & McLennan. INVESTMENT TRUSTS (83) INVESTMENT COMPANIES (7) LEISURE & HOTELS (2) Alpha Airports, Mandarin Oriental Intl. LIFE ASSURANCE (2) London & Manchester, Refuge. MEDIA (4) Gold Greenlees Trott, Goodhead, Holmes Marchant, Midland Ind. News., OIL EXPLORATION & PROD (4) Com-Tek Res, Coplex Res, Pict Petm, Vanguard Petm., OTHER FINANCIAL (8) OTHER SERVS & BUSNS (1) Leigh Interests. PHARMACEUTICALS (1) Ransom (Wm.). PRTNG, PAPER & PACKG (8) API, Bemrose, Brit. Thornton, Britton, Field, Plysu, Sarti, Waco 8pc Pf., PROPERTY (15) RETAILERS, FOOD (2) Dairy Farm, Geest. RETAILERS, GENERAL (9) Clinton Cards, Essex Furniture, Fine Art Devlps., Games Workshop, Liberty, Mallett, Partridge Fine Arts, Sothebys Hldg Inc Class A, WEW. SUPPORT SERVS (11) TELECOMMUNICATIONS (2) Cable & Wireless, Do. 7pc Cnv. 2005. TEXTILES & APPAREL (4) Atkins, Baird (Wm.), Caldwell Invs., Readicut. TRANSPORT (7) AMERICANS (11) CANADIANS (3)

EQUITY FUTURES AND OPTIONS TRADING

Hit by Wall Street's devastating overnight performance, stock index futures had nowhere to hide and retreated rapidly from the outset in heavy two-way trading, writes Jeffrey Brown.

At the end of pit trading, the FT-SE 100 December contract was at 3,025, down 54 for a three-day drop of 115 points. It closed at a two-point discount to the cash market and more than seven points below fair value.

For once the price action was fully reflected in levels of volume, with contract numbers jumping to 19,932 – compared with 11,220 on Tuesday and less than 7,000 on Monday – having been above 8,000 in the first two hours of trading.

Activity was at times frantic, notably when the US market came in at 2.30pm London time with further heavy losses. But traders said there was little panic, citing the relatively unadventurous cash market discount which seldom extended beyond two points throughout the session.

Wall Street continues to dictate immediate direction. If the December contract falls through 3,000, the next support level is around 2,980. In late screen-based trading it hit 3,015.

The volatility washed over into traded options, where volume powered ahead to 80,982 lots, up from 35,852 on Tuesday. FT-SE and Euro FT-SE turnover accounted for almost 50,000 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Dec	94	38½	65½	60	43½	87½		

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Nov 23	Day's chge%	Nov 22	Nov 21	Nov 18	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3027.5	-1.7	3078.7	3121.8	3131.0	3067.2	4.24	7.25	16.30	116.23	1150.73
FT-SE Mid 250	3488.8	-1.5	3545.3	3568.5	3575.6	3430.7	3.61	5.80	20.44	122.22	1307.61
FT-SE Mid 250 ex Inv Trusts	3493.8	-1.5	3548.0	3570.5	3576.3	3429.8	3.76	6.38	19.05	127.35	1307.10
FT-SE-A 350	1521.2	-1.8	1548.7	1565.5	1570.0	1530.9	4.06	6.94	17.09	57.25	1183.00
FT-SE SmallCap	1762.75	-1.1	1782.18	1788.18	1790.18	1736.66	3.36	5.06	24.95	52.06	1373.77
FT-SE SmallCap ex Inv Trusts	1733.83	-1.0	1750.50	1754.83	1756.71	1712.88	3.56	5.62	22.76	53.95	1355.49
FT-SE-A ALL-SHARE	1507.68	-1.8	1532.32	1550.01	1554.22	1515.21	4.04	6.81	17.49	55.81	1192.52

■ FT-SE Actuaries All-Share

	Nov 23	Day's chge%	Nov 22	Nov 21	Nov 18	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2633.50	-1.3	2667.10	2708.18	2711.76	2406.10	3.58	5.18	24.34	89.83	1063.18
12 Extractive Industries(4)	3753.46	-2.0	3829.04	3870.62	3882.68	3193.70	3.42	5.47	22.62	98.62	1035.74
15 Oil, Integrated(3)	2599.05	-1.1	2627.57	2673.72	2676.70	2376.90	3.74	5.76	21.54	86.44	1073.30
16 Oil Exploration & Prod(11)	1648.38	-1.5	1673.68	1678.82	1678.56	1697.00	2.25	‡	‡	38.03	1068.28
20 GEN MANUFACTURERS(267)	1840.06	-2.0	1876.86	1897.48	1899.27	1879.70	4.20	5.34	22.64	70.99	942.84
21 Building & Construction(33)	1019.95	-1.3	1033.51	1041.03	1041.26	1129.00	3.89	5.50	23.95	36.57	804.10
22 Building Matls & Merchs(32)	1822.97	-1.8	1856.62	1880.06	1879.83	1903.20	4.08	5.36	22.59	70.57	865.17
23 Chemicals(23)	2233.10	-2.0	2277.84	2303.78	2315.62	2081.70	4.21	4.71	26.48	89.87	995.38

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	558	326	-6
ASDA Group†	7,600	65	-½
Abbey National†	2,800	403	-9
Albert Fisher	1,900	41½	-½
Allied Domecq†	1,800	575	-1
Anglian Water	498	493	-6
Argos	428	346	-5
Argyll Group†	2,800	266½	+2

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	0	10
Other Fixed Interest	2	8	12
Mineral Extraction	20	108	68
General Manufacturers	22	353	254
Consumer Goods	12	111	64

LONDON SHARE SERVICE

BANKS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind.		£32	—	£32	£13½	2,087	2.3	23.5
Barlow	♣	£5⅓	—	£5⅞	£3⅛	1,053	1.9	Φ
Gold Flds Prop R.		118xd	—	128	75	12.1	7.9	Φ
NK Props.		98	—	98	85	3.94	12.3	–
SASOL	♥	540	—	582	280	3,163	2.9	–
SA Brews	†	£15⅞xd	—	£16⅛	£10	4,289	1.9	23.8
Tiger Oats		725	-25	838	538	1,098	2.1	Φ
Tongaat-Hulett	††	725	—	*725	359¼	880.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) at the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
i Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
x Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

MARKETS REPORT

Dollar takes its lead from firmer US treasuries

The dollar yesterday took its lead from the firmer US treasury market, to finish higher on the day, *writes Philip Gawith.*

The yield on the benchmark 30 year bond dropped below 8 per cent for the first time in five weeks, and this set the tone for the dollar, rather than the continued weakness in equity markets.

The dollar closed in London at DM1.5537, from DM1.5536, and at Y98.335 from Y98.075.

Short term interest rate futures were also beneficiaries of the weaker equity markets, with investors assuming that this diminished the need for higher interest rates. The March 1995 short sterling contract closed at 93.09, up from 92.98.

The Italian lira stabilised following losses after it was announced that Mr Silvio Berlusconi, the prime minister, would be investigated in connection with corruption charges. The lira finished at L1,034 against the D-Mark from L1,033.

Sterling had a quiet day, with the trade weighted index finishing at 79.9 from 79.8.

■ Analysts have likened the behaviour of markets this week to the 1987 crash, albeit on a smaller scale. Mr Nick Parsons, treasury economist at CIBC in London, notes that in the two weeks after the 1987 crash, the bond market rose by ten points, while most G7 short term rates were cut.

These moves were prompted by fears of systemic risk in the banking system, and possible damage to consumer confidence and corporate investment.

This time round, though, while the fall in equity markets did not compare with 1987, "the thought processes and price action have been similar," said Mr Parsons. Referring to the firmer short sterling prices, he said markets regarded falling equity prices as an effective monetary tightening, in the same way that declining bond prices earlier in the year amounted to a monetary tightening.

"The pace of rate rises is going to be nothing like the pace which the market is currently discounting," said Mr Parsons. He said it made little sense that the UK yield curve was steeper than the Italian yield curve.

The spread between March and September 95 short sterling contracts was 105 basis points, compared to a 98 basis point spread for the equivalent eurolira contracts.

■ Traders said turnover in the dollar had been quite brisk, despite markets winding down ahead of Thanksgiving day today.

Mr Michael Burke, economist at Citibank, said this time round the dollar was benefiting from its link with the bond market. For much of the year, weakness in the US bond market has been a factor in dragging the currency down.

He said the fact that the dollar tracked bonds, rather than equities, was probably a reflection of capital flows; foreign investors have larger holdings of bonds than equities in the US.

Mr Burke said the dollar appeared to be fairly well supported, given the way it had reacted to what had been a potentially serious blow to sentiment. He cited this as further evidence that the dollar was on a recovery path.

Mr Michael Gallagher, director of IDEA in London, said nervous equity markets were ambiguous for the dollar. On the one hand, foreign divestment from US equities, and the feeling that the next tightening of Fed policy would be delayed, were negative for the dollar.

On the other hand, tumbling world equity markets could prompt US mutual funds to repatriate some of their offshore investments. This would help the dollar.

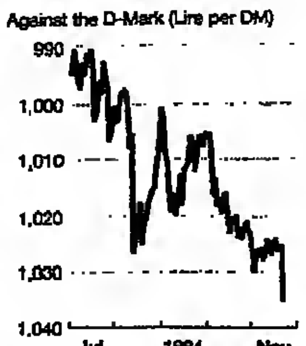
■ Analysts said the stability in the lira probably reflected the fact that the market is already pricing in a lot of bad news, including Mr Berlusconi's possible resignation. Mr Gallagher said a survey of clients showed that most felt the lira would not slip below L1,045-50 should he resign as prime minister.

Elsewhere in Europe, the focus today shifts to the Bundesbank council meeting. Mr Gallagher said a lower than expected October M3 money supply figure had renewed speculation that the Bundesbank "might give us an early Christmas present (in the form of lower interest rates)."

■ Overnight money traded between 2 per cent and 5¼ per cent as the Bank of England cleared a £600m daily shortage in UK money markets.

Lira

Against the D-Mark (Lire per DM)



Source: FT Graphite

■ **Pound in New York**

Nov 23	Latest	Prev. close
£ spot	1.5725	1.5695
1 mth	1.5724	1.5695
3 mth	1.5724	1.5694
1 yr	1.5692	1.5662

■ **OTHER CURRENCIES**

Nov 23	£	$
Hungary	171.458 - 171.703	109.230 - 109.330
Iran	2742.00 - 2745.00	1749.00 - 1750.00
Kuwait	0.4692 - 0.4705	0.2989 - 0.2996
Poland	37241.1 - 37299.4	23725.0 - 23750.0
Russia	5057.30 - 5082.00	3221.00 - 3224.00
U.A.E.	5.7655 - 5.7771	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1730	+0.006	647 - 918	17.1886	17.1434	17.1667	0.3	17.1568	0.4	-	-	115.3
Belgium	(BFr)	50.1804	-0.0051	598 - 010	50.2610	50.1080	50.1554	0.6	50.0704	0.8	49.5904	1.2	117.0
Denmark	(DKr)	9.5627	+0.0078	579 - 675	9.5725	9.5398	9.5609	0.2	9.5676	-0.2	9.5546	0.1	116.7
Finland	(FM)	7.4486	-0.0047	388 - 583	7.4840	7.4398	-	-	-	-	-	-	88.8
France	(FFr)	8.3799	+0.001	767 - 830	8.3924	8.3642	8.3789	0.1	8.3716	0.4	8.3094	0.5	110.0
Germany	(DM)	2.4394	-0.0008	384 - 404	2.4425	2.4345	2.4383	0.5	2.4345	0.8	2.403	1.5	126.3
Greece	(Dr)	375.796	+0.32	661 - 931	378.245	375.034	-	-	-	-	-	-	-
Ireland	(I£)	1.0118	-0.0019	111 - 125	1.0144	1.0110	1.0118	0.2	1.0113	0.2	1.013	+0.1	105.2
Italy	(L)	2523.94	+2.97	251 - 536	2529.58	2517.48	2530.34	-3.0	2541.34	-2.8	2591.89	-2.7	73.5
Luxembourg	(LFr)	50.1804	-0.0051	598 - 010	50.2610	50.1080	50.1554	0.6	50.0704	0.9	49.5904	1.2	117.0
Netherlands	(Fl)	2.7344	-0.0003	333 - 355	2.7362	2.7296	2.7333	0.5	2.7294	0.7	2.6978	1.3	120.5
Norway	(NKr)	10.6790	-0.0065	740 - 840	10.7109	10.6541	10.6787	0.0	10.682	-0.1	10.6811	0.0	95.7
Portugal	(Es)	248.783	+0.094	484 - 081	249.542	248.436	250.513	-8.3	253.693	-7.9	-	-	-
Spain	(Pta)	203.587	+0.205	496 - 678	203.809	203.047	203.957	-2.2	204.612	-2.0	207.497	-1.9	85.5
Sweden	(SKr)	11.5939	+0.0286	831 - 047	11.6245	11.5314	11.6124	-1.9	11.6504	-1.9	11.8124	-1.9	76.1
Switzerland	(SFr)	2.0675	+0.0035	662 - 688	2.0688	2.0632	2.0643	1.9	2.057	2.0	2.015	2.5	120.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.2624	+0.0009	818 - 830	1.2631	1.2601	1.2624	0.0	1.2627	-0.1	1.2759	0.5	-
SDR†	-	0.934045	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5697	-0.0003	692 - 702	1.5705	1.5660	-	-	-	-	-	-	-
Brazil	(R)	1.3289	+0.0144	264 - 302	1.3310	1.3172	-	-	-	-	-	-	-
Canada	(C$)	2.1556	-0.002	546 - 565	2.1672	2.1540	2.1569	-0.1	2.1546	0.2	2.1545	0.1	86.2
Mexico	(New Peso)	5.4067	+0.0027	029 - 104	5.4200	5.4000	-	-	-	-	-	-	-
USA	($)	1.5701	-0.0006	697 - 705	1.5765	1.5697	1.57	0.1	1.5701	0.0	1.5669	0.2	62.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0658	+0.0079	646 - 670	2.0755	2.0567	2.0679	-1.2	2.0706	-0.9	2.0845	-0.9	-
Hong Kong	(HK$)	12.1404	+0.0037	369 - 439	12.1887	12.1352	12.1314	0.9	12.1271	0.4	12.0819	0.5	-
India	(Rs)	49.2521	-0.0149	336 - 705	49.4470	49.2270	-	-	-	-	-	-	-
Japan	(Y)	154.396	+0.349	317 - 474	154.490	154.130	153.966	3.8	152.876	3.7	147.858	4.2	190.9
Malaysia	(M$)	4.0113	+0.002	095 - 131	4.0259	4.0089	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5231	+0.0021	204 - 257	2.5313	2.5200	2.5278	-2.2	2.537	-2.2	2.5569	-1.3	-
Philippines	(Peso)	37.4941	-0.2028	060 - 821	37.8100	37.4050	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8891	-0.0024	873 - 908	5.9130	5.8862	-	-	-	-	-	-	-
Singapore	(S$)	2.3010	+0.0008	996 - 024	2.3085	2.2985	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5538	-0.0061	512 - 564	5.5760	5.5503	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5317	+0.0525	143 - 490	6.5506	6.4998	-	-	-	-	-	-	-
South Korea	(Won)	1248.94	-0.16	854 - 933	1253.85	1248.32	-	-	-	-	-	-	-
Taiwan	(T$)	41.2670	-0.1524	376 - 963	41.4643	41.2357	-	-	-	-	-	-	-
Thailand	(Bt)	39.2368	-0.0307	111 - 625	39.3820	39.2100	-	-	-	-	-	-	-

†SDR rates for Nov 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9375	+0.008	350 - 400	10.9400	10.8880	10.93	0.8	10.8135	0.9	10.818	1.1	104.4
Belgium	(BFr)	31.9600	+0.009	550 - 650	31.9930	31.8400	31.94	0.8	31.89	0.9	31.65	1.0	106.0
Denmark	(DKr)	6.0905	+0.0073	890 - 920	6.0920	6.0658	6.0898	0.1	6.093	-0.2	6.097	-0.1	105.1
Finland	(FM)	4.7440	+0.0012	390 - 490	4.7565	4.7240	4.7413	0.7	4.7355	0.7	4.7285	0.3	83.2
France	(FFr)	5.3372	+0.0027	365 - 378	5.3378	5.3130	5.3362	0.2	5.3318	0.4	5.3032	0.6	106.2
Germany	(D)	1.5537	+0.0001	534 - 539	1.5539	1.5470	1.5529	0.6	1.5505	0.8	1.5337	1.3	107.0
Greece	(Dr)	239.345	+0.295	320 - 370	240.550	238.300	242.045	-13.5	247.395	-13.5	268.095	-12.0	69.4
Ireland	(I£)	1.5518	+0.0022	511 - 524	1.5555	1.5503	1.5521	-0.2	1.5526	-0.2	1.5481	0.2	-
Italy	(L)	1607.50	+2.5	700 - 800	1610.00	1598.50	1611.45	-2.9	1618.5	-2.7	1654	-2.9	74.0
Luxembourg	(LFr)	31.9600	+0.009	550 - 650	31.9930	31.8400	31.94	0.8	31.89	0.9	31.65	1.0	106.0
Netherlands	(Fl)	1.7416	+0.0005	413 - 418	1.7419	1.7344	1.7408	0.6	1.7383	0.7	1.7218	1.1	105.6
Norway	(NKr)	6.8015	-0.0015	000 - 029	6.8092	6.7740	6.8088	-1.3	6.8205	-1.1	6.8285	-0.4	95.6
Portugal	(Es)	158.450	+0.12	300 - 600	158.600	157.870	159.025	-4.4	160.15	-4.3	163.7	-3.3	95.3
Spain	(Pta)	129.665	+0.16	640 - 690	129.690	129.030	129.89	-2.1	130.31	-2.0	132.415	-2.1	80.6
Sweden	(SKr)	7.3842	+0.0212	792 - 892	7.3900	7.3371	7.3954	-1.8	7.4187	-1.9	7.5382	-2.1	81.8
Switzerland	(SFr)	1.3168	-0.0017	163 - 173	1.3173	1.3097	1.3147	2.0	1.3101	2.0	1.2861	2.3	106.1
UK	(£)	1.5701	-0.0006	697 - 705	1.5765	1.5697	1.5702	-0.1	1.5701	0.0	1.5669	0.2	88.3
Ecu	-	1.2244	+0.0013	241 - 246	1.2298	1.2241	1.2244	0.0	1.2248	-0.1	1.2282	-0.3	-
SDR†	-	1.46477	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0002	997 - 998	0.9998	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8460	+0.0095	450 - 470	0.8470	0.8390	-	-	-	-	-	-	-
Canada	(C$)	1.3729	-0.0008	726 - 731	1.3763	1.3726	1.3726	0.2	1.3722	0.2	1.3764	-0.3	82.5
Mexico	(New Peso)	3.4435	+0.003	420 - 450	3.4550	3.4390	3.4445	-0.3	3.4463	-0.3	3.4537	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3157	+0.0056	153 - 161	1.3184	1.3094	1.3164	-0.7	1.3182	-0.8	1.331	-1.2	89.5
Hong Kong	(HK$)	7.7323	+0.0006	320 - 325	7.7325	7.7319	7.7302	0.3	7.729	0.2	7.7368	-0.1	-
India	(Rs)	31.3688	+0.0025	650 - 725	31.3725	31.3650	31.4388	-2.7	31.5838	-2.7	-	-	-
Japan	(Y)	98.3350	+0.26	100 - 600	98.3600	97.9500	98.055	3.4	97.435	3.7	94.37	4.0	151.4
Malaysia	(M$)	2.5548	+0.0023	543 - 553	2.5553	2.5515	2.5518	1.4	2.5473	1.2	2.5753	-0.8	-
New Zealand	(NZ$)	1.6070	+0.0019	057 - 082	1.6082	1.6051	1.608	-0.7	1.6104	-0.8	1.6194	-0.8	-
Philippines	(Peso)	23.8800	-0.12	300 - 300	24.0500	23.8300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-0.0001	506 - 509	3.7510	3.7508	3.7544	-1.1	3.7613	-1.1	3.7758	-0.7	-
Singapore	(S$)	1.4655	+0.0011	650 - 660	1.4680	1.4645	1.464	1.3	1.4605	1.4	1.444	1.5	-
S Africa (Com.)	(R)	3.5373	+0.0025	365 - 380	3.5405	3.5360	3.5528	-5.3	3.5849	-5.4	3.7498	-6.0	-
S Africa (Fin.)	(R)	4.1600	+0.035	500 - 700	4.1700	4.1350	4.188	-8.1	4.2325	-7.0	4.47	-7.5	-
South Korea	(Won)	795.450	+0.2	400 - 500	795.600	795.000	798.45	-4.5	801.95	-3.3	820.45	-3.1	-
Taiwan	(T$)	26.2830	-0.087	710 - 950	26.3300	26.2710	26.303	-0.9	26.343	-0.9	-	-	-
Thailand	(Bt)	24.9900	-0.01	800 - 000	25.0000	24.9800	25.0185	-1.4	25.1105	-1.9	25.515	-2.1	-

†SDR rate for Nov 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 22. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 23	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	4⅞	5⅛	5¼	6⅛	7.40	4.50	-
week ago	4⅞	4⅞	5⅛	5½	6⅝	7.40	4.50	-
France	5⅛	5⅞	5⅜	5⅞	6⅝	5.00	-	6.75
week ago	5⅛	5⅞	5⅞	5⅞	6⅝	5.00	-	6.75
Germany	4.88	4.95	5.15	5.25	5.55	6.00	4.50	4.85
week ago	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	5⅛	5¾	5¾	6⅛	7⅛	-	-	6.25
week ago	5⅞	5¼	5⅝	6⅛	7⅛	-	-	6.25
Italy	8⅛	8⅞	8⅝	9⅛	10	-	7.50	8.20
week ago	8⅛	8⅞	8⅞	9	9⅝	-	7.50	8.20
Netherlands	4.84	5.03	5.20	5.34	5.73	-	5.25	-
week ago	4.84	5.03	5.23	5.34	5.75	-	5.25	-
Switzerland	3	3⅞	3⅞	4⅛	4½	6.625	3.50	-
week ago	3¼	3⅞	4	4⅛	4⅞	6.625	3.50	-
US	5½	5¾	5⅝	6¼	6⅝	-	4.75	-
week ago	5⅝	5½	5⅝	6¼	6⅝	-	4.75	-
Japan	2⅛	2¼	2⅛	2⅛	2⅝	-	1.75	-
week ago	2⅞	2¼	2⅛	2⅛	2¾	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	5¾	5⅞	6⅛	6⅞	-	-	-
week ago	-	5¾	5⅞	6⅛	6⅞	-	-	-
US Dollar CDs	-	5.47	5.69	6.04	6.60	-	-	-
week ago	-	5.47	5.70	6.00	6.59	-	-	-
SDR Linked Ds	-	3¾	3⅞	3¾	4	-	-	-
week ago	-	3¾	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5¾; 3 mths: 5⅞; 6 mths: 5⅞; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4½	4⅞ - 4½	4⅞ - 4⅞	5⅛ - 5	5⅝ - 5¼	6 - 5⅞
Danish Krone	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	6⅛ - 6	6⅝ - 6⅜	7⅛ - 7
D-Mark	4⅞ - 4⅞	5 - 4⅞	5 - 4⅞	5⅛ - 5⅛	5⅜ - 5¼	5⅞ - 5⅝
Dutch Guilder	5 - 4⅞	5⅛ - 4⅞	5⅛ - 5⅛	5⅛ - 5⅛	5⅜ - 5⅜	5⅞ - 5⅞
French Franc	5⅜ - 5¼	5⅞ - 5⅜	5⅞ - 5⅜	5⅝ - 5½	5⅞ - 5⅝	6⅜ - 6¼
Portuguese Esc.	9 - 8⅝	8⅞ - 8½	9⅞ - 9⅝	10⅛ - 9⅞	10⅜ - 10⅛	10⅝ - 10⅜
Spanish Peseta	7½ - 7⅜	7⅞ - 7¾	7⅞ - 7⅝	7⅞ - 7¾	8¼ - 8⅛	9¼ - 9
Sterling	5⅝ - 5⅜	5⅝ - 5⅛	5⅝ - 5½	6 - 5⅞	6½ - 6⅜	7⅜ - 7¼
Swiss Franc	3⅞ - 3¼	3⅞ - 3¼	3⅞ - 3½	3⅞ - 3⅞	4⅛ - 4⅛	4½ - 4⅜
Can. Dollar	5⅛ - 4⅞	5⅛ - 5⅛	5⅞ - 5¼	5⅞ - 5⅞	6⅞ - 6⅝	7¼ - 7⅛
US Dollar	5⅝ - 5⅛	5⅝ - 5⅛	5⅝ - 5⅞	5⅞ - 5⅝	6⅛ - 6⅛	6⅞ - 6⅞
Italian Lira	9 - 7½	8⅞ - 8⅛	8⅞ - 8⅛	8⅞ - 8⅞	9⅞ - 9⅜	10 - 9⅞
Yen	2¼ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2¼	2½ - 2⅜	2⅞ - 2¾
Asian $Sing	2⅞ - 2⅝	3⅛ - 2⅞	3⅛ - 3⅛	3½ - 3⅜	3⅞ - 3⅝	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.37	94.39	+0.04	94.40	94.36	16,609	41,131
Mar	94.08	94.12	+0.10	94.14	94.06	33,125	42,924
Jun	93.64	93.69	+0.10	93.71	93.63	12,046	32,857
Sep	93.29	93.34	+0.11	93.36	93.28	5,825	21,829

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.93	93.98	+0.05	93.93	93.93	6	2833
Mar	-	93.40	+0.07	-	-	0	1454
Jun	-	92.84	+0.10	-	-	0	369
Sep	-	92.46	+0.12	-	-	0	177

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.85	+0.02	94.85	94.84	15434	130250
Mar	94.72	94.72	+0.04	94.73	94.70	41294	182389
Jun	94.37	94.40	+0.06	94.43	94.37	29760	124612
Sep	94.00	94.02	+0.07	94.03	93.98	13981	83952

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.08	91.12	+0.05	91.12	91.03	5751	31010
Mar	90.42	90.42	+0.04	90.42	90.36	4108	34453
Jun	89.83	89.86	+0.05	89.86	89.80	1066	16263
Sep	89.40	89.44	+0.05	89.44	89.38	519	21821

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.01	96.01	+0.01	96.02	95.98	1524	18035
Mar	95.73	95.71	+0.01	95.74	95.70	3624	20336
Jun	95.40	95.41	+0.03	95.43	95.39	747	5975
Sep	95.08	95.03	+0.02	95.05	95.03	90	3059

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.12	94.12	+0.03	94.14	94.10	845	7947
Mar	93.77	93.80	+0.07	93.83	93.76	952	7810
Jun	93.27	93.31	+0.06	93.33	93.27	174	4095
Sep	92.77	92.81	+0.06	92.89	92.77	142	2481

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.06	16.70	4.861	2.015	5028	5.448	21.28	495.6	405.5	23.10	4.118	1.993	4.295	3.129	307.5	2.555
Denmark	(DKr)	52.48	10	6.763	2.551	1.057	2639	2.859	11.16	260.1	212.8	12.12	2.162	1.046	2.254	1.642	161.4	1.341
France	(FFr)	59.89	11.41	10	2.911	1.207	3011	3.263	12.73	296.8	242.8	13.83	2.467	1.193	2.572	1.874	184.2	1.530
Germany	(DM)	20.57	3.920	3.435	1	0.415	1034	1.121	4.375	102.0	83.44	4.752	0.847	0.410	0.884	0.644	63.28	0.526
Ireland	(I£)	49.63	9.458	8.286	2.412	1	2496	2.704	10.55	246.0	201.3	11.46	2.045	0.989	2.132	1.553	152.6	1.268
Italy	(L)	1.989	0.379	0.332	0.097	0.040	100.	0.108	0.423	9.857	8.066	0.459	0.082	0.040	0.085	0.062	6.116	0.051
Netherlands	(Fl)	18.35	3.497	3.065	0.892	0.370	922.8	1	3.903	90.97	74.43	4.239	0.756	0.366	0.788	0.574	56.44	0.469
Norway	(NKr)	47.03	6.962	7.853	2.286	0.948	2365	2.562	10	233.1	190.7	10.86	1.937	0.937	2.020	1.471	144.6	1.201
Portugal	(Es)	20.18	3.845	3.369	0.981	0.407	1014	1.099	4.290	100.	81.83	4.660	0.831	0.402	0.867	0.631	62.04	0.515
Spain	(Pta)	24.66	4.699	4.117	1.199	0.497	1240	1.343	5.243	122.2	100.	5.695	1.016	0.491	1.059	0.771	75.82	0.630
Sweden	(SKr)	43.30	8.250	7.230	2.104	0.872	2177	2.359	9.206	214.6	175.6	10	1.783	0.863	1.859	1.355	133.1	1.106
Switzerland	(SFr)	24.28	4.626	4.054	1.180	0.489	1221	1.323	5.162	120.3	98.45	5.607	1	0.484	1.043	0.760	74.65	0.620
UK	(£)	50.18	9.562	8.379	2.439	1.011	2523	2.734	10.67	248.7	203.6	11.59	2.067	1	2.155	1.570	154.3	1.282
Canada	(C$)	23.29	4.437	3.888	1.132	0.469	1171	1.269	4.951	115.4	94.43	5.375	0.959	0.464	1	0.729	71.60	0.595
US	($)	31.96	6.090	5.337	1.554	0.644	1607	1.741	6.796	158.4	129.6	7.382	1.317	0.637	1.373	1	98.28	0.817
Japan	(Y)	32.52	6.197	5.430	1.581	0.655	1635	1.772	6.915	161.2	131.9	7.511	1.340	0.648	1.397	1.017	100.	0.831
Ecu		39.14	7.459	6.536	1.902	0.789	1968	2.133	8.323	194.0	158.7	9.041	1.612	0.780	1.681	1.225	120.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6436	0.6455	+0.0030	0.6467	0.6436	30,013	97,720
Mar	0.6460	0.6466	+0.0028	0.6474	0.6460	394	8,475
Jun	0.6490	0.6460	+0.0029	0.6490	0.6490	34	1,334

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0195	1.0221	+0.0034	1.0230	1.0187	21,779	75,517
Mar	1.0300	1.0307	+0.0031	1.0315	1.0300	1,064	10,339
Jun	-	1.0369	-	-	-	19	836

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7580	0.7627	+0.0059	0.7646	0.7579	19,249	56,217
Mar	0.7620	0.7662	+0.0058	0.7680	0.7618	886	3,536
Jun	0.7700	0.7710	+0.0051	0.7710	0.7700	34	307

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5678	1.5742	+0.0068	1.5752	1.5678	11,330	49,121
Mar	1.5730	1.5750	+0.0078	1.5750	1.5730	790	2,044
Jun	-	1.5740	-	1.5740	-	39	122

UK INTEREST RATES

LONDON MONEY RATES

Nov 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¼ - 2	5¼ - 5	5⅝ - 5½	6⅛ - 5⅞	6½ - 6⅜	7¼ - 7⅛
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5⅞	6⅜ - 6¼	7⅛ - 6⅞
Treasury Bills	-	-	5⅞ - 5⅜	5⅞ - 5¾	-	-
Bank Bills	-	-	5½ - 5⅞	5⅞ - 5⅞	6⅜ - 6¼	-
Local authority deps.	4⅞ - 4⅞	5⅛ - 4⅞	5⅝ - 5⅞	6 - 5⅞	6⅞ - 6⅜	7⅛ - 7⅛
Discount Market deps	4⅜ - 3½	5⅛ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.6235pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.968pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.78	93.79	+0.05	93.82	93.76	24282	133955
Mar	93.03	93.09	+0.11	93.11	93.03	40133	90386
Jun	92.46	92.50	+0.11	92.52	92.44	7848	55915
Sep	91.97	92.02	+0.10	92.05	91.97	6023	64638

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9375	0.13	0.04	0.06	0.09	0.70	1.31
9400	0.02	0.01	0.03	0.23	0.92	1.53
9425	0	0	0.01	0.46	1.18	1.76

Est. vol. total, Calls 13287 Puts 17675. Previous day's open int., Calls 345512 Puts 239552

EMS EUROPEAN CURRENCY UNIT RATES

Nov 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14338	-0.00102	-2.43	5.96	-
Belgium	40.2123	39.3402	-0.0195	-2.17	5.08	16
Germany	1.94964	1.91234	-0.00063	-1.91	5.40	-
Ireland	0.808628	0.794442	-0.000342	-1.75	5.23	12
France	6.53883	6.57018	+0.00182	0.48	2.89	-4
Denmark	7.43679	7.49511	+0.00857	0.78	2.58	-5
Portugal	192.854	195.087	+0.046	1.16	2.20	-8
Spain	154.250	159.473	+0.073	3.39	0.00	-24
NON ERM MEMBERS						
Greece	264.513	294.558	-0.01	11.36	-7.16	-
Italy	1793.19	1977.36	+8.35	10.27	-6.24	-
UK	0.786749	0.784301	-0.001369	+0.31	3.71	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.525	4.92	5.24	5.65	0.04	0.36	0.82
1.550	2.74	3.33	3.90	0.35	0.95	1.53
1.575	1.19	1.90	2.54	1.21	1.95	2.54
1.600	0.35	0.95	1.53	2.83	3.43	4.00
1.625	0.05	0.41	0.88	5.02	5.36	5.79
1.650	0.01	0.14	0.44	7.44	7.52	7.73

Previous day's vol., Calls 7,244 Puts 3,744 . Prev. day's open int., Calls 391,077 Puts 349,283

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.90	93.95	+0.06	93.98	93.90	51,231	380,158
Mar	93.33	93.39	+0.08	93.41	93.33	94,955	459,577
Jun	92.73	92.82	+0.09	92.84	92.73	75,196	315,189

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.57	94.59	+0.07	94.60	94.57	1,845	13,638
Mar	93.93	94.02	+0.10	94.03	93.93	3,480	11,882
Jun	93.49	93.45	+0.10	93.46	93.45	1,506	1,898

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9475	0.12	0.09	0.12	0.14	0.02	0.12	0.15	0.17
9500	0.02	0.02	0.04	0.05	0.17	0.30	0.32	0.35
9525	0	0	0.01	0.01	0.40	0.53	0.54	0.54

Est. vol. total, Calls 7814 Puts 9560. Previous day's open int., Calls 218841 Puts 201362

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9600	0.05	0.06	0.05	0.05	0.35	0.54
9625	0.01	0.02	0.02	0.25	0.56	0.86
9650	0	0.01	0.01	0.49	0.80	1.10

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2815 Puts 1816

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	8		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 23 / Sch)

BELGIUM/LUXEMBOURG (Nov 23 / Frs.)

DENMARK (Nov 23 / Kr)

FINLAND (Nov 23 / Mks)

FRANCE (Nov 23 / Frs.)

GERMANY (Nov 23 / Dm.)

ITALY (Nov 23 / Lira)

NETHERLANDS (Nov 23 / Fls.)

NORWAY (Nov 23 / Kroner)

SPAIN (Nov 23 / Pts.)

SWEDEN (Nov 23 / Kronor)

SWITZERLAND (Nov 23 / Frs.)

PACIFIC

JAPAN (Nov 22 / Yen)

AUSTRALIA (Nov 23 / AustS)

HONG KONG (Nov 23 / H.K.S)

MALAYSIA (Nov 23 / MYR)

SINGAPORE (Nov 23 / S$)

NORTH AMERICA

CANADA

TORONTO (Nov 23 / Can $)

4 pm close

MONTREAL (Nov 23 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 23 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 22, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.0m	377	-3	Marubeni	3.9m	525	-17
Toyota Motor	5.2m	2080	-20	NKK	3.7m	278	+1
Mitsui Co	4.8m	839	-6	Kawasaki Steel	3.8m	412	-5
Mitsubishi Hvy	4.7m	739	-6	Toray Inds	3.0m	742	-3
Sharp	4.2m	1710	-30	Sanyo Elec	2.8m	565	+1

INDICES

US INDICES

Dow Jones	Nov 22	Nov 21	Nov 18	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3677.99	3789.51	3815.26	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.76	93.75	93.70	105.61 (21/1)	93.75 (21/11)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1440.82	1459.45	1468.54	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	173.94	174.47	174.47	227.96 (3/1)	173.94 (23/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3787.34 (3845.20) Low 3669.58 (3758.74) (Theoretical◆)
Day's high 3789.51 (3833.43) Low 3677.99 (3763.76) (Actual◆)

Standard and Poors	Nov 22	Nov 21	Nov 18	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	450.09	458.30	461.47	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	537.25	548.18	552.02	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	39.87	40.60	41.31	48.94 (14/6)	39.87 (22/11)	48.40 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	246.32	250.58	252.30	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	436.14	441.28	444.04	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	741.21	757.74	764.87	803.93 (18/3)	693.70 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 18	Nov 11	Nov 4	Year ago
Dow Jones Ind. Div. Yield	2.79	2.78	2.78	2.71
	Nov 16	Nov 8	Nov 2	Year ago
S & P Ind. Div. yield	2.38	2.39	2.39	2.38
S & P Ind. P/E ratio	19.03	20.93	20.95	26.86

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	448.60	448.25	+1.30	449.15	446.00	93,413	210,839
Mar	-	450.20	-	-	-	8,277	42,454
Jun	-	454.25	-	-	-	62	4,618

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Motorola	7,692,200	57	-2
Brinker	6,831,900	17¾	-3¼
Telefonos	5,131,800	50	-¾
RJR Nabisco	4,468,600	6¼	-¼
GTE	3,899,500	30	-¼
Merck	3,560,100	35⅝	-1⅛
Gen Motors	3,548,100	38⅝	-½
Limited	3,496,300	20¾	-¾
Citicorp	3,293,000	41⅛	-⅝
Wal-Mart	3,278,200	23⅜	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Nov 22	Nov 21	Nov 18
New York SE	383.249	292.986	358.685
Amex	18.428	17.897	17.084
NASDAQ	329.517	281.544	279.974
NYSE			
Issues Traded	2,833	2,926	2,924
Rises	474	798	795
Falls	1,896	1,480	1,408
Unchanged	563	648	721
New Highs	8	12	21
New Lows	325	195	219

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. Brackets are previous day's. ♥ Subject to official recalculation.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open int.
Nov	1887.0	1900.0	-22.0	1904.0	1881.0	26,817	18,870
Dec	1897.0	1907.0	-22.0	1911.0	1882.0	2,690	25,399
Jan	1905.0	1917.0	-22.0	1905.0	1905.0		337

Open interest figures for previous day.

4 pm close November 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
77⅞	12⅛	AAR	0.48	4.0	21	152	12⅛	d11⅞	12	-⅛
18⅛	12⅝	A L Labs A	0.10	1.1	37	80	17¼	16½	16⅝	-½
79⅞	57⅞	AMP	1.68	2.4	21	3929	70	67⅞	70	+½
72¾	48⅛	AMR			105	7602	51½	48⅝	50	-1⅝
5	3⅜	ARX			12	95	3⅞	3¾	3¾	
58⅛	38⅝	ASA x	2.00	4.6	28	825	44¼	43¼	43½	-⅞
33	25⅞	AbbtL	0.76	2.4	17	9277	21⅝	30½	31¼	
15¼	11⅞	AbtMt Pr	0.50	4.1	11	65	12⅛	12	12⅛	-⅛
23⅝	17¾	ABM Ind	0.52	2.0	12	23	20½	20¼	20⅜	+⅛
10	11½	Acpincoln			6	784	12⅞	12¼	12⅞	+⅛
31	21⅞	ACE Ltd	0.44	2.1	20	758	22⅞	d21¾	21¼	-⅞
12½	0	ACM Gvt In	1.09	11.5	8	826	9½	9⅛	9½	+¼
10⅛	6⅞	ACM GvOpp	0.60	10.0		386	7⅜	7⅛	7⅜	+⅛
10⅝	6¾	ACM Gvt Sp	0.08	13.2		708	7¼	6⅞	7¼	+¼
12	7⅝	ACM Gvt Se	1.09	18.1		682	8⅜	8⅛	8⅜	+¼
11⅝	7⅝	ACM Man	1.08	12.9		485	8⅜	8⅛	8⅜	+¼
9¾	6	ACM Mangd	0.72	8.7		245	8¼	8⅛	8¼	+⅛
15½	8¾	AcmeClr	0.44	4.0	22	87	11⅛	10¾	10⅞	-⅛
13⅝	8½	Acme Elect			13	118	12⅞	12⅝	12¾	+⅛
28⅞	23	Acordia x	0.50	2.1	14	7	28⅝	28½	28½	-⅛
13¾	5¾	Actava	0.36	3.0	2	235	9½	6¼	9½	+⅛
18⅜	11¼	Acuson			23	312	16⅛	15½	15⅞	-⅜
18⅜	15⅞	Adams Expr x	0.60	4.3	0	123	16	d15¾	15¾	-⅛
34	48½	Ad Micro	3.00	5.5		63	54⅞	54¼	54⅜	-⅛
31¾	16¾	AdvMic	3.00	12.1	8	10654	25¼	24¼	24¾	-⅛
[illegible]										

- A - (continued) [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on next page

4 pm close November 23

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
9⅞	4⅞	Sabine Crp			10	6	5	5	5	
49⅞	31¼	Safite Man	1.40	4.6	0	5151	32⅝	32	32½	+⅜
13⅞	11⅛	Salomon Br x	0.38	3.5	22	416	11⅛	d11	11	-¼
52¼	28	Salomn	0.64	1.7	23	2745	37	d35⅝	37	+⅞
25	17½	SalDgGE	1.52	7.8	16	404	19⅝	19⅝	19½	
10	7½	SantaFeERs	0.16	1.9	9	873	6¾	6½	6½	-⅛
17⅞	12⅞	SFeSd			37	5061	12⅞	d12½	12⅝	-¼
33¾	31⅛	SFePPipe	2.80	0.5	0	76	32¾	32⅝	32¾	+¼
29¼	12⅛	SanFeP x	0.10	0.0	13	15126	16⅜	16	16¼	+⅝
26	10⅛	SaraLee	0.68	2.8	53	8057	24¾	24¼	24½	
50⅛	41	Scana Corp	2.82	6.7	12	191	43½	41¾	42⅝	+½
28½	12½	Scecrp	1.00	7.1	9	10846	14⅛	13⅝	14¼	+¼
44⅝	31¾	SchererRP			27	431	42¼	40¾	40¾	-1½
75½	54½	SchrPl	2.04	2.8	15	6140	73⅜	72½	73⅜	-⅛
63	50¾	Schlmb	1.20	2.2	26	6381	55¼	54	54¾	-1¼
31	23¾	Schwab(C)	0.28	0.9	14	4047	31¾	30½	31¼	-⅜
10¾	6⅛	Schweitzer			7	11	7⅞	7⅞	7⅞	+¼
22⅝	12⁷⁄₁₆	SciAtl x	0.08	0.3	37	1962	20	18⅞	19⅞	+⅞
16¾	13	Scotsman	0.10	0.6	12	467	16½	16⅛	16⅝	-⅛
67⅞	37¼	ScottP x	0.80	1.3	16	9639	63¼	61⅞	63	-1⅛
29⅝	18⅜	ScudderNAsF	0.21	1.0		241	22⅛	21⅝	21⅞	-⅞
12⅝	9	ScudderNEuF	0.16	1.8		476	9	d8¾	9	
18¼	13¾	SeaCnB	0.76	5.6	0	30	13½	d13¼	13¾	
16½	14¼	SeaC1.462S	1.46	9.8		6	15⅜	15	15	-⅛
32⅞	26¼	Seagrm	0.60	2.2	22	5824	27⅞	27¼	27⅜	-¼
29¼	20¼	Seagull En			35	504	21⅝	20⅞	21	
30¼	26⅝	Sealed Air			20	436	35½	34¾	34⅞	-⅝
56⅛	42⅛	SearsR x	1.60	3.4	14	10348	47¼	46½	46¾	+1⅛
13¼	9¾	Selgm Sel	0.84	7.7		279	11	10⅝	10⅞	-⅝

- X - Y - Z -

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
112¾	87¼	Xerox	3.00	3.1	58	4905	98½	87⅞	98	-1½
53¼	40	Xtra Corp x	0.56	1.3	12	603	44⅞	43	43¼	-1⅞
25½	20	Yankee Egy	1.22	5.7	11	30	21⅜	21¼	21¼	-⅛
42½	33⅞	York Ind	0.16	0.5	14	1980	35¼	34	34⅞	-⅞
5½	1	Zapata	0.14	3.3	12	77	4⅛	4	4	
14⅛	7	ZenithE			8	2618	11⅞	11	11⅝	+⅛
27¾	20⅝	Zenith Nat	1.00	4.7	8	94	21¼	20⅞	21⅜	
7⅞	6½	Zweb Inc x	0.83	12.7		298	6¾	d6½	6½	-⅛
16⅜	11⅞	Zero	0.40	3.3	14	120	12¼	12⅛	12¼	-⅛
29¾	16⅞	Zurn Ind	0.88	5.1	579	61	17⅜	17¼	17⅝	+¼
13⅞	10¼	Zweig Fund	1.00	10.4		402	10⅛	d10⅛	10⅝	
10⅞	7⅞	Zweig Tot	0.84	10.2		453	[illegible]	8⅛	8¼	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

AMEX COMPOSITE PRICES

4 pm close November 23

NASDAQ NATIONAL MARKET

4 pm close November 23

AMERICA

Dow adds to losses as bond market benefits

Wall Street

US share prices added to the week's losses yesterday morning, but did not go into the freefall that some analysts had predicted, *writes Lisa Bransten in New York.*

By 1pm the Dow Jones Industrial Average was down 25.23 at 3,652.76. The more broadly based Standard & Poor's 500 fell 3.72 to 446.36, while the American Stock Exchange composite lost 4.60 at 431.54. The Nasdaq composite was down 10.26 at 730.95. Trading volume on the New York SE came to 270m shares.

The bond market was a major beneficiary of the drop in share prices as the long bond yield fell below 8 per cent for the first time this month. It was one of the first times this year that stock and bond markets moved in opposite directions.

Program trading pushed the market down by nearly 40 points by early afternoon after a volatile morning that had seen the Dow momentarily in positive territory at the opening bell. The index was down for most of the morning, however, and even news that the Clinton administration had won important support for the General Agreement on Tariffs and Trade failed to boost shares.

Senator Robert Dole, who had been wavering in his support for the world trade package which is viewed as beneficial to businesses, said he would back the passage of the Gatt.

Some analysts believed that Tuesday's plunge in the Dow was simply the blue chip index catching up with other indices that had fallen further.

Morgan Stanley's index of cyclical stocks fell more steeply than the Dow, which may foreshadow further weakening, according to an analyst at the investment bank.

Major cyclicals were mostly down. Allied Signal fell $¾ at $30½, Aluminum Company of America lost $2¾ at $77¾, United Technologies shed $⅜ at $55¼, Dow Chemical lost $1 at $61⅛, Motorola dipped $⅝ at $59½ and Hewlett Packard decreased $⅜ at $95⅝.

Shares in interest-rate sensitive commercial banks posted increases: Citicorp up $¼ at $41⅝, NationsBank was up $1 at $44⅞, Chemical Banking gained $⅜ at $34⅝ and Chase Manhattan increased $½ at $34⅞. Reaction was mixed among major investment banks: JP Morgan gained $⅜ at $56⅞, while Salomon Brothers fell $⅛ at $36 and Morgan Stanley dropped $⅛ at $56⅞.

HJ Heinz shares fell initially after Nestlé, the Swiss food group, announced that it was not interested in purchasing the US food company, but by early afternoon Heinz shares were up $¼ at $36⅛.

Pfizer shares declined $2⅛ at $72⅞ after the pharmaceutical company announced that it would buy the animal health business of SmithKline Beecham for $1.45bn in cash. SmithKline Beecham ADSs, traded on the NYSE, dropped $¾ at $33 on the news.

● Smith Barney said yesterday that it had reduced its Latin American equity portfolio weightings in Mexico and Argentina because both markets were vulnerable to the rise in US interest rates.

The broker was raising its weighting in Brazil and Chile, since US interest rate fluctuations had less influence over equity market movements in both countries.

Brazil

Shares in São Paulo were 2.6 per cent lower at midday as investors remained worried about the prospects for the banking sector. The Bovespa index fell 1,157 to 43,791 in turnover of R$143.9m ($170.1m).

The central bank had liquidated four small financial institutions over the previous 10 days, bringing the total to seven since the implementation of a new currency on July 1.

Some small banks faced financial problems after recent central bank measures, aimed at slowing consumption in Brazil, created a sharp liquidity squeeze.

Among the blue chips, Telebras preferred dropped 3.4 per cent to R$36.40, Vale do Rio Doce was off 2.3 per cent at R$148.50 and Petrobas down 3.0 per cent at R$113.

Canada

Toronto sank at midday as investors continued to move out of equities and into bonds. The TSE 300 index fell 43.26 to 4,014.89 in volume of 24.5m shares as sharp losses in gold, consumer products and mining issues overwhelmed slight gains in financial services, pipelines and communications.

Of Toronto's 14 sub-indices, 11 groups posted losses at noon. Gold and precious metals spiralled down 262.63 to 8,768.12.

Euro-Nevada led tarnished gold stocks, falling C$2⅝ to C$32⅞, while American Barrick dropped C$1⅛ to C$28⅜.

Strong sectors were led by financial services in the wake of Bank of Montreal's C$⅛ advance to C$24⅞ after its higher fourth-quarter earnings.

Newbridge Networks lost C$1⅛ at C$43⅝ in spite of reporting stronger second-quarter results on Tuesday.

SOUTH AFRICA

Shares in Johannesburg were sharply lower in reaction to the worldwide falls in equities.

Golds softened in spite of a firmer bullion price, largely because of losses on Nasdaq overnight.

The overall index lost 109 or 1.8 per cent at 5,799.9, the industrial index was off 117.2 at 6,866.9 and the golds index was 45.9 down at 2,046.6.

De Beers declined R3 to R92.75, Anglos shed R5.50 to R234 and Minorco fell R5 to R96.50. Among banks, Absa receded 20 cents to R10.90.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Nov. 18 1994	% Change over week	% Change on Dec '93	Local currency terms Nov. 18 1994	% Change over week	% Change on Dec '93
Latin America	(207)	707.62	-3.5	+8.8			
Argentina	(24)	840.96	-6.0	-15.4	516,146.54	-5.0	-15.4
Brazil	(57)	422.53	-3.2	+81.6	1,321,758.376	-3.3	+1,200.7
Chile	(25)	807.91	-0.7	+46.4	1,344.28	+0.1	+41.0
Colombia[1]	(11)	779.25	-2.4	+20.9	1,142.99	-2.3	+23.3
Mexico	(67)	868.93	-3.8	-13.7	1,293.84	-3.4	-4.1
Peru[2]	(11)	183.80	-3.3	+52.0	245.29	-3.3	+54.2
Venezuela[3]	(12)	456.41	-3.7	-22.9	1,782.30	-3.7	+25.4
Asia	(558)	264.90	+0.4	-9.0			
China[4]	(18)	98.72	-0.7	-33.9	106.21	-0.7	-35.3
South Korea[5]	(156)	152.29	-1.6	+28.9	159.29	-1.8	+28.9
Philippines	(19)	313.77	-1.4	-7.9	370.31	+0.3	-18.6
Taiwan, China[6]	(90)	144.14	-3.0	+6.6	142.36	-2.3	+6.4
India[7]	(76)	129.68	+2.5	+11.3	144.50	+2.3	+12.2
Indonesia[8]	(38)	107.42	-0.9	-13.8	126.98	-1.0	-10.8
Malaysia	(104)	288.51	+1.8	-14.9	273.20	+2.2	-18.9
Pakistan[9]	(15)	391.50	-1.2	+0.9	544.39	-1.2	+3.1
Sri Lanka[10]	(5)	193.89	-1.2	+9.4	206.81	-0.9	+8.3
Thailand	(55)	419.27	-2.1	-12.2	416.35	-1.9	-13.8
Euro/Mid East	(125)	123.07	+0.7	-27.3			
Greece	(25)	213.31	-1.4	-6.3	345.98	+0.3	-10.0
Hungary[11]	(5)	172.65	-2.4	+3.6	227.51	-1.7	+12.7
Jordan	(13)	157.75	+2.0	-4.7	232.13	+2.6	-3.0
Poland[12]	(12)	474.57	-1.8	-42.0	710.00	-0.7	-35.7
Portugal	(25)	126.43	-1.4	+11.1	137.95	+0.5	-0.1
Turkey[13]	(40)	131.53	+3.0	-38.1	2,257.15	+3.1	+55.2
Zimbabwe[14]	(5)	261.52	-0.9	+29.4	319.88	-1.3	+49.7
Composite	(890)	347.46	-1.5	-2.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

As one of the best performing Asian emerging markets so far this year, South Korea has begun to attract attention from fund managers and strategists, writes John Pitt.

Baring Securities suggests that the market is undervalued by almost any standard. "It trades at a 1994 price/cash flow multiple of 7.2 times, compared with an average 14.4 times for the major Asian countries," it says. "Similarly, Korean shares are trading at a 1994 price/earnings multiple of 20.2 times, compared with an eight-year average of 25.4 times. By contrast, the 1994 average price/earnings ratio for the major Asian countries is 27.2 times." What strategists find attractive about the country over tha longer term is the prospects for economic expansion when political reunification with North Korea becomes a possibility. At present, trade with China is growing quickly and, on the domestic agenda, rising industrial prodnctivity, moderating wage growth and diminishing labour disputes all point the way toward increasing international competitiveness. Although the limit on the foreign *ownership of stocks is to be raised to 12 per cent from 10 per cent next month, and to 15* per cent during 1995, analysts expect the new limits to be reached quickly.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 22 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 21 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	164.37	-1.3	155.16	101.90	132.77	143.29	-1.5	3.96	166.56	157.48	103.58	135.04	145.43	189.15	149.38	153.67
Austria (16)	178.73	0.2	168.71	110.80	144.36	144.24	-0.2	1.13	178.39	168.66	110.93	144.62	144.47	198.89	167.46	175.45
Belgium (36)	166.54	0.1	157.21	103.24	134.51	131.22	-0.3	4.21	166.44	157.36	103.50	134.93	131.60	177.04	151.70	151.70
Brazil (28)	171.11	-0.8	161.52	106.06	138.21	263.47	-0.4	0.76	172.46	163.05	107.24	139.81	264.43	-	-	-
Canada (103)	126.87	-1.0	119.76	78.65	102.47	126.20	-0.5	2.71	128.16	121.15	79.71	103.92	128.82	145.31	120.64	132.21
Denmark (33)	248.15	-0.8	234.26	153.85	200.44	205.32	-1.0	1.45	250.14	236.49	155.55	202.79	207.38	275.79	230.27	235.58
Finland (24)	186.28	-1.3	175.84	115.48	150.46	185.81	-1.7	0.76	188.65	178.36	117.31	152.94	188.75	201.41	116.85	121.90
France (102)	165.98	-0.4	156.68	102.90	134.06	136.89	-0.6	3.09	166.72	157.62	103.67	135.16	139.98	165.37	159.34	160.64
Germany (58)	141.06	-0.9	133.15	87.45	112.93	112.93	-1.2	1.82	142.31	134.55	88.50	115.37	115.37	160.40	128.37	130.08
Hong Kong (56)	356.80	-4.3	336.70	222.44	289.81	356.17	-4.3	3.36	375.04	354.59	233.22	304.06	372.29	506.56	341.29	374.00
Ireland (14)	202.62	-0.4	191.27	125.62	163.66	184.24	-0.5	3.47	203.47	192.38	126.53	164.96	185.21	218.80	172.05	172.38
Italy (59)	75.46	-3.1	71.23	46.78	60.95	90.45	-2.7	1.75	77.87	73.63	48.43	63.14	92.98	97.76	57.88	58.47
Japan (466)	153.77	-0.3	145.16	95.33	124.20	95.33	-0.6	0.61	154.22	145.80	95.90	125.03	95.90	170.10	124.54	139.49
Malaysia (97)	506.18	-1.7	477.82	313.81	408.85	497.60	-2.3	1.66	515.04	486.95	320.28	417.56	509.31	621.63	430.71	478.16
Mexico (18)	2000.95	1.6	1888.82	1240.48	1618.15	7526.91	1.2	1.36	1969.39	1861.94	1224.65	1596.61	7435.11	2547.06	1896.28	2017.89
Netherland (19)	210.81	-0.8	199.00	130.69	170.27	167.52	-1.2	3.45	212.59	201.00	132.20	172.38	169.57	223.30	187.01	187.01
New Zealand (14)	73.07	-1.3	68.97	45.30	59.02	62.27	-1.4	4.68	74.02	69.98	46.03	60.01	63.14	77.39	61.27	63.19
Norway (23)	195.15	-0.6	184.21	120.98	157.62	180.20	-0.9	1.84	196.38	185.67	122.12	159.21	161.78	211.74	165.32	176.20
Singapore (44)	378.25	-3.0	357.06	234.50	305.52	255.26	-3.1	1.65	389.97	368.70	242.50	316.16	263.51	401.38	294.66	312.62
South Africa (58)	336.70	-0.2	317.83	208.74	271.95	303.57	0.1	2.12	337.42	319.01	209.82	273.55	303.26	342.00	265.55	229.02
Spain (38)	141.65	-0.3	133.71	57.82	114.41	138.95	-0.6	4.21	142.06	134.33	88.35	115.18	139.77	155.79	128.66	135.81
Sweden (36)	239.01	-1.6	225.62	148.15	193.05	260.52	-1.6	1.54	242.81	229.57	150.99	196.66	264.65	242.81	175.93	184.87
Switzerland (47)	160.53	-1.0	151.53	99.52	129.66	131.22	-1.2	1.85	162.12	153.27	100.81	131.43	132.80	176.56	148.04	148.04
Thailand (46)	163.27	-3.6	154.12	101.22	131.87	158.42	-3.6	2.20	169.32	160.09	105.29	137.28	164.39	-	-	-
United Kingdom (204)	166.76	-1.1	185.73	121.98	158.93	185.73	-1.3	4.14	198.99	188.13	123.74	161.33	188.13	214.96	161.11	183.67
USA (515)	184.19	-1.8	173.87	114.16	148.77	184.19	-1.8	2.97	187.46	177.23	116.57	151.97	187.46	196.04	178.95	186.77
Americas (664)	172.15	-1.6	162.50	106.72	139.04	143.12	-1.6	2.90	175.01	165.46	108.83	141.88	145.46	-	-	-
Europe (708)	169.26	-1.0	159.77	104.93	136.71	150.64	-1.2	3.11	170.96	161.66	106.32	138.62	152.49	178.58	154.79	154.79
Nordic (116)	226.69	-1.3	213.99	140.54	183.10	211.64	-1.4	1.40	229.66	217.13	142.81	186.19	214.70	233.91	173.19	180.53
Pacific Basin (783)	162.41	-0.7	153.31	100.69	131.18	105.28	-1.0	1.16	163.55	154.63	101.70	132.60	106.30	176.86	134.79	149.64
Euro-Pacific (1501)	165.19	-0.8	155.93	102.41	133.42	123.11	-1.1	2.01	166.57	157.48	103.58	135.04	124.46	175.14	143.86	151.07
North America (618)	180.63	-1.7	170.51	111.98	145.90	180.20	-1.7	2.96	183.78	173.78	114.28	148.98	183.30	192.73	175.67	183.39
Europe Ex. UK (504)	150.91	-0.9	142.45	93.55	121.89	129.99	-1.2	2.50	152.34	144.03	94.73	123.50	131.54	158.12	135.94	136.25
Pacific Ex. Japan (326)	246.83	-2.7	233.00	153.02	199.37	217.20	-2.9	3.00	253.78	239.93	157.81	205.74	223.74	298.21	232.54	236.54
World Ex. US (1709)	166.96	-0.8	157.62	103.52	134.87	126.75	-1.0	2.01	168.32	159.13	104.65	136.45	128.04	176.65	145.58	152.63
World Ex. UK (2020)	169.27	-1.1	159.78	104.94	136.72	140.41	-1.3	2.15	171.20	161.86	106.46	138.78	142.21	178.59	155.96	160.86
World Ex. Japan (1756)	183.10	-1.5	172.83	113.51	147.88	173.59	-1.5	2.97	185.82	175.68	115.55	150.64	178.30	195.20	176.34	177.09
The World Index (2224)	171.69	-1.1	162.06	106.44	138.67	144.46	-1.3	2.34	173.84	164.17	107.98	140.77	146.31	180.80	158.85	182.98

Latest prices were unavailable for this edition.

EUROPE

Bourses steady after painful morning

Bourses, trailing US equities, had a painful morning after Tuesday's Wall Street plunge; but, in the afternoon, they seemed in no hurry to follow the Dow's extended decline, *writes Our Markets Staff.*

Morgan Stanley's European strategist, Mr Richard Davidson, followed the lead from his US colleagues and cut the weighting of equities in his European mixed asset portfolio from 58 to 50 per cent. He moved the money into bonds, reckoning that equities will underperform over the next two quarters; yet be emphasised his house's longer term view that stock prices should outperform over the course of the cycle.

FRANKFURT dropped 2 per cent on the session, the Dax index losing 41.46 at 2,033.31; however, it had recovered to 2,040.05 by the end of Ibis trading for a 24-hour drop of 1.6 per cent.

Dealers said investors were seeking refuge in relatively high bond yields. Turnover in German equities, reflecting the switch, moved up from DM5.5bn to DM7.5bn.

Individual stocks still managed to respond to events. Deutsche Bank, a major shareholder in, and creditor to Metallgesellschaft, dropped DM21.80 or nearly 3 per cent to DM732.70 on the session after the troubled trader unveiled capital reduction, and new share issue plans. Deutsche recovered to DM727.50 after hours.

BASF and Bayer were relatively strong ahead of the chemicals results season, down just DM1.20 to DM304 and DM1.10 to DM335.40 respectively. BMW led carmakers down with a drop of DM26 to DM749 after a fall in October registrations.

ZURICH was still preoccupied with developments at UBS, although the SMI index fell 25.7 to 2,546.1, with the weakness of the dollar adding to its more general concerns.

UBS bearers shed SFr34 or 2.9 per cent to SFr1,125 after a low of SFr1,115, with the bank again said to be a large seller. The registered gave up SFr16 to SFr252, further reducing to 12.0 per cent their premium over the bearers. The premium, which stood at 34.4 per cent when battle lines were drawn with Mr Martin Ebner's BK Vision on September 29, had shrunk to 15.6 per cent by Tuesday, when shareholders voted to support the board's proposal for a single class of equity capital.

Nestlé eased SFr9 to SFr1,196, its 10-month figures proving in line with expectations, although forecasts for volume growth during 1995 helped the shares up from a low of SFr1,181.

Holderbank gave up a further SFr15 to SFr1,015, still awaiting the outcome of the European Commission's five-year investigation into alleged illegal market-sharing agreements between some of Europe's biggest cement companies.

PARIS managed to recover some of its early losses, helped by some institutional short-covering on the last day of the account. The CAC-40 index shed 18.32 or 1 per cent to 1,893.09, after a session's low of 1,872. Turnover was FFr4bn.

Société Générale want against the trend with a rise of FFr3 to FFr601. However, it had its rating reduced yesterday by Merrill Lynch, which said that the stock was now fully valued after a strong performance over the last three months. According to Merrill, the stock had outperformed the market by 12 per cent in that period.

Alcatel Alsthom was another stock to rise, by FFr4.60 to FFr419.60, as some bargain hunters emerged. The shares hit a year's low of FFr411 earlier in the week as the head of a subsidiary was detained over allegations that France Telecom had been overcharged for equipment supplied.

MILAN's Comit index fell 11.63 or 1.8 per cent to 623.64 as investors worried that the anti-corruption magistrates' investigation of Mr Silvio Berlusconi, the prime minister, risked the parliamentary passage of the budget, and threatened its deficit-cutting measures.

Mr James Cornish at NatWest Securities said, however, that political developments were unlikely to halt the country's economic recovery. The market was not yet cheap enough to be an irresistible buy, and the likelihood of further political upsets meant it was likely to become cheaper in the weeks ahead. Mr Cornish viewed further weakness as an opportunity for selective buying.

AMSTERDAM dragged itself back from an AEX index session low of 399.46, closing 4.40 down at 402.00.

Akzo Nobel fell Fl 4.00 to Fl 193.50; it said it planned an investment of SKr575m in two Swedish factories.

In the finance sector, ING slipped 40 cents to Fl 78.20. There were domestic media reports that the group intended to shed approximately 1,500 employees, which could result in savings of some Fl 735m. ING is expected to show an improvement in its third-quarter earnings today.

Fokker announced job cuts of 160 at its special products division, due to falling sales, and the shares dropped 2.7 per cent to Fl 14.50.

MADRID, once again, registered a lower than average decline, the general index clawing back around half of its early loss to end 2.65 or 0.9 per cent off at 299.72 in turnover of nearly Pta27bn.

Pryca climbed back from an early decline of nearly 4 per cent to finish Pta55 or 2.5 per cent down at Pta2,130. Mr Christopher Cooper at James Capel said there had been stories in the Spanish press about limitation of opening hours for supermarket groups.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Nov 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1311.15	1312.08	1313.30	1313.60	1312.16	1311.55	1312.99	1313.33
FT-SE Eurotrack 200	1370.07	1370.74	1371.79	1369.24	1367.75	1367.50	1370.71	1370.41

	Nov 22	Nov 21	Nov 18	Nov 17	Nov 16
FT-SE Eurotrack 100	1331.93	1351.17	1344.08	1350.69	1358.69
FT-SE Eurotrack 200	1391.76	1411.82	1406.81	1412.93	1421.32

Base 1000 (26/10/90); Highday: 100 - 1314.82; 200 - 1372.13 Lowday: 100 - 1310.58 200 - 1365.58 † Partial

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Region tumbles in response to US worries

Wall Street's overnight fall took a hefty toll of a region lacking the influence of Tokyo, which was closed for the Japanese Thanksgiving holiday.

HONG KONG tumbled a further 4.2 per cent in reaction to US worries, the Hang Seng index finishing 372.40 down at 8,576.03 after plunging to the day's low of 8,379.88 in the opening minutes of trade.

Among the index heavyweights, HSBC fell HK$2.75 or 3.1 per cent to HK$85.50 and Henderson Land shed HK$2.30 or 5 per cent to HK$43.50.

Analysts noted that an auction of two plots of government land, which produced results close to those predicted, failed to give the market significant support.

Turnover amounted to a provisional HK$5.9bn, compared with HK$4.8bn on Tuesday.

The H-share index of Chinese stocks listed in Hong Kong fell 19.48 or 1.6 per cent to 1,186.75.

SHANGHAI's B share index was down 4.3 per cent by the close, led by a newcomer, Shanghai Lujiazui Finance and Trade Zone Development, and in line with the sharp fall in Hong Kong. The index lost 3.04 at 67.63 in heavy volume of 21.1m shares.

Shanghai Lujiazui, which made a strong debut on Tuesday, encountered heavy overseas selling and weakened $0.072 or 8.8 per cent to $0.750 in volume of 17.8m shares.

BANGKOK's SET index hit a low of 1,303 before finishing 69.96 or 5 per cent off at 1,332.85 in turnover of Bt13.7bn. The biggest falls were in banking, down 5.5 per cent in Bt3.9bn of turnover, and finance, 6.8 per cent lower with shares worth Bt2.7bn exchanged.

The mild recovery in the afternoon appeared to be encouraged by foreign investors picking up cheap stocks in energy and petrochemicals, among other sectors.

JAKARTA retreated 3.3 per cent as selective bargain hunting failed to halt a broad sell-off, and the official index dropped 16.66 to 482.01.

Among the losers were Indosat and Gajah Tunggal, which fell almost 4 per cent to Rp7,825 and 6 per cent to Rp3,100 respectively.

SINGAPORE picked up from its lows as some bargain hunting appeared among the blue chips, but the Straits Times Industrial index still finished 52.24 or 2.3 per cent down at 2,217.81.

OCBC foreign dipped 90 cents to S$14.60, Cycle and Carriage also 90 cents to S$12.60 and Jurong Engineering S$1.05 to S$8.45.

KUALA LUMPUR followed a similar course, improving from early lows with the emergence of bargain hunters. The composite index ended 24.38 off at 1,001.80 after a morning's low of 990.09. Volume increased to an estimated 170.9m shares from Tuesday's 105.4m.

SEOUL saw institutional selling of blue chips for the fifth straight day and the composite index slipped 10.73 to 1,095.97. Brokers said tight liquidity also hurt the market as banks were squeezed to meet their reserve requirements from the central bank.

Samsung Electronics went limit down by Won8,000 to Won119,500, while Korea Telecom lost Won12,000 to close limit down at Won569,000.

SYDNEY was well off its lows after bargain hunters gave shares a late lift. The All Ordinaries index ended 20.6 or 1.1 per cent down at 1,857.1; but this was 2.3 per cent better than its intraday low of 1,814.5 – the lowest level for the All Ordinaries since July 28, 1993.

Dealers said the market was banking on a recovery on Wall Street. Banks were the target of bargain hunters after ANZ reported a stronger than expected final profit. ANZ gained a net 7 cents at A$3.74 after an early fall of 12 cents.

Base metal issues also made a spectacular recovery, with the diversified mining groups CRA and Western Mining turning round early falls to close modestly ahead. However, golds were the weakest stocks on the day in spite of a higher gold price in New York.

TAIPEI combined textile industry fundamentals, the ruling party's 100th anniversary today and speculation that the government might support equities to achieve a good recovery. The weighted index, which hit a low of 6,241.66 at one stage, closed 26.21 up at 6,371.48. Turnover expanded from T$30.89bn to T$39.4bn.

The textiles sector index ended 3 per cent stronger on renewed expectations of an industry recovery. Hualon, the most active stock in the sector, put on T$1.40 at T$22.70, followed by Shinkong Synthetic Fibres, which jumped by the daily 7 per cent limit to T$32.20, and Far Eastern Textile, T$1.70 ahead at T$39.30.